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Life Insurance Investments—What, Where and Why?

Head of Metropolitan Life Explains Principles Which Govern Investments Made by Life Companies—Nature of Reserves Held Is Not Understood by Legislators Generally

BY HALEY FISKE

The question of investments is always an important one for life insurance companies and especially the officials whose work is concerned primarily with the financial end of the business. In this address, delivered before the Association of Life Insurance Presidents at its meeting in New York this week, President Haley Fiske of the Metropolitan Life, explained in detail the nature of the reserve, a matter on which legislators and taxing officials are usually ignorant, and also outlined the principles governing investments. The first principle as he gives it is the safety of the investment. Points to be considered further are: (1) The needs of the public, (2) the needs of the localities in which the policyholders reside, (3) the necessities of government, federal and local, and (4) the needs of the policyholders themselves as individual capitalists.

THE subject of investments of life insurance funds has been a very live one for some years and especially of late the discussion has reached an acute stage. It is interesting for three reasons; first, because of the immense amount of the funds of the companies; second, because of the need of capital in various directions; and third, because of the enormous number of people who are interested as life insurance policyholders. Two-fifths of the entire population of the United States are insured in what are called "Old Line" companies—that is, in companies issuing policies on the level premium plan. This plan requires great accumulations to provide for the maturity of the insurance. The plan is familiar enough to you; but I doubt if people generally understand the function of the reserves which by their size attract a great deal of attention, sometimes of prejudice, because of the power involved in the possession and care of huge sums of money, and occasionally of temptation to legislatures in the matter of taxation.

Reserves, Liabilities and Net Assets

These reserves in 39 companies whose assets are nearly 91 percent of the combined assets of 266 level premium companies operating in the United States, amounted at the end of 1919 to about $5,000,000,000. Many people look upon these five billions as free assets and do not know they are also liabilities. The public ought to understand this. The level premium plan of insurance was designed, as the name indicates, to issue policies, the premiums upon which are the same during the life of the policies. It is certain that the cost of insurance increases each year after age 10 because the rate of mortality increases. More people out of each thousand die every year with increasing age. The "natural insurance" plan of assessment companies therefore involves increased premiums with advancing age. It is obvious that as the period of life approaches the less productive age the premium becomes more of a burden and finally becomes almost prohibitive. The level premium plan takes the cost of insurance through life and divides it so that the premium will be the same as that charged upon the issue of the policy.

Reserve Takes Care of Deficit in Premiums

It follows that at the beginning the holder pays more than the premium necessary to carry the mortality cost for the year. The excess premium is the reserve. This reserve takes care of the deficit in the premium when the age has advanced so that the premium charged is less than the mortality cost of the year. The companies must invest the reserve at a rate of interest that, added to the reserves themselves and future premiums, will produce the full amount of the insurance when it becomes due. Of course you cannot apply this formula in individual cases because many people do not live out their expectancy; but mortality tables are constructed to apply to thousands of lives, and on the whole mass the reserves do provide the funds to pay the insurance. Thus the reserves become a liability and are a capital.

Fact Hard to Get Into Legislators' Heads

It is hard to get this simple and obvious fact into the heads of legislators. When they propose to levy a tax on reserves they are levying a tax on capital; they are confiscating a part of the consideration received by the companies for the contracts the companies have issued; they are taking away the money the companies need to fulfill their obligations; they are robbing the policyholders of the deposits the policyholders have made, out of which their policies are to be paid. It is one thing to tax premiums, for in that case the companies can add the tax to the premium, and all that is done by that is to tax savings. And it is one thing to tax corporate incomes, for that is to take away a part of the excess interest earned. The objections to these forms of taxes are objections based upon the inadvisability of taxing thrift, of penalizing savings for widows and orphans. But it is quite another thing to tax reserves, for that is confiscation of capital.

How Company's Surplus Is Accumulated

The necessity of earning interest on the reserves is clear, for interest enters into the calculation of the premiums. The statute fixes the rate of interest which is assumed in the calculation. It is the excess interest earned and the saving, if any, on the rate of mortality assumed, that create surplus. The surplus of all the American companies is stated by the Year Book to be $316,-800,000, though due to the variation in the way certain companies make up their statements, it is impossible to say this is accurate. But taking the figures as reported it is, you see, only about 6 percent of the reserves and a little over 5 per cent of the assets—surely a margin small enough to prove that the companies have been as liberal as possible in paying dividends to policyholders. That a reasonable surplus must be kept is evident not only on the general principle of safe-guarding investments against fluctuations in values, but also to provide against possible epidemics which upset mortality assumptions. The surplus is accumulated out of an excess of interest over the assumed rate and out of savings in mortality, if any, and of course, out of savings in assumed expenses; which last matter is outside of the subject given to me to discuss.

Cardinal Principles Governing Investments

The management of the companies has the responsibility of taking such care of the assets as will produce an excess of interest over the rate assumed. This responsibility is great. The sum of the assets of the 39 companies mentioned above is prodigious. At the end of 1919 it was $6,158,697,-723.07. What are the principles which should govern investments? The most important is safety and the statutes on that principle limit the companies to certain classes of investments. Within these limits what principles apply?

First, naturally, those investments which, while safe, pay the highest return. But in the application of this there should be other principles borne in mind. One is, the needs of the public. Another, the needs of the localities in which the policyholders reside. Another, the necessities of government, federal and local. Another, the needs of the policyholders themselves as individual capitalists. Let us, in taking up discussion of these principles, mention the last first.

Policyholders Are Capitalists

It is a comforting thing to consider the holder of a policy a capitalist ipso facto, because of the enormous number of policyholders. I have said that it is about two-fifths of the population. The number of policies in force in the 39 companies whose assets, as I have said, are about 91 percent of the combined assets of the 266 companies named in the reports, was at the end of 1919 fifty-eight millions. Many are insured in more than one company. We have made calculations, based upon the claimants' statements of thousands of death claims, which convince us that the number of individual lives insured is 40,000,000. In these days when capital is assailed it is well to bring home to the people that they themselves are capitalists. They forget it. The industrial insurance companies had at the end of 1919 about 44,000,000 industrial policies in force, insuring about 33,000,000 individual workingmen and women and their children. In their ordinary departments these companies had millions more working people insured who could afford to pay their premiums annually, semi-annually, or quarterly instead of weekly. These people own the assets back of these policies.

Attack on Capital Is Attack on Themselves

I remember, addressing some agents who represented the east side population of New York City, pointing out to them as a fact they should bring home to their people, that these people should have no envy of capitalists. When they peer through the windows of the restaurant of a big hotel and see the diners gorging themselves, let them say not words of jealousy but of encouragement —"Go on, eat, spend your money: what you are doing is to help the hotel company pay the interest on our $8,000,-000 mortgage on the hotel property." It is important to teach the working people that they are the capitalists and that attack on capital investments is an attack upon themselves. Overtaxation, confiscation, failure to help public utilities by refusing to permit adequate rates, is robbing them, not the rich. It is important that legislators and members of public commissions should realize this elemental fact. And they should remember that injustice done or permitted by them is injustice not to the wealthy, but to their own constituents who put them in office. It is not the rich who own the steam railroads, the trolley lines, the public buildings, the telephones, the water supply, the sewerage systems; it is the poor and the people of moderate means whose savings are invested in these enterprises. The insurance companies' investments belong to these in a mass.

Policy Loans Prove He Is Capitalist

But there is one form of investment which applies to the policyholder as an individual; that is investment in policy loans. We have explained that back of the policies are the reserves, and after paying premiums for three years the reserves begin to mount up for, as already shown, it is in the earlier years of the life of the policy that the excess of the premium over the year's cost of insurance is largest. There often comes a time when the policyholder needs to borrow and where perhaps his only collateral is his policy. He realizes then that he is a capitalist, for there is no safer collateral for a company to lend on than a reserve in its own possession. The 39 companies had actually invested at the end of 1919 over $732,-000,000 in premium notes and loans to

their policyholders—or nearly 12 percent of the entire assets! Here the companies have made a perfectly safe investment, earning an adequate rate of interest—5, 5½, or 6 percent.

Must Consider Necessities of Government

Let us take another principle on which investments should be made—the necessities of government. At the end of 1919 the 39 companies owned nearly $1,250,000,000 of federal, state, county and municipal bonds—nearly 20 percent of the entire amount of their assets. We were at war so short a time ago that the recollection of everybody is very vivid as to the urgent necessity of borrowing money by the federal government. Life insurance companies were the first to be appealed to and they were urged even to borrow money to invest in the Liberty and Victory loans. They responded nobly and owned over $700,000,000 of United States bonds at the end of 1919. In this case you will observe that what we have named as the primary principle of investment—to get as high a rate of interest as possible from safe securities—was modified by the other principle we have named. Some of the bonds bought carried interest down to the rate assumed in the calculation of premiums, and nearly all of the bonds subscribed left little excess interest for surplus.

Public Necessities Aided by Companies

It seems to me there should be another principle governing investments, namely public needs. It would seem to be selfish, and to be ignoring the fact that by reason of the large proportion of the population which is insured it owes a certain regard for the needs of the people as a whole for a management to be governed entirely by the rate of interest, or by the investments it prefers as in its experience it knows most about or is in a way associated with. In what channels can the management put its funds for public benefit provided these channels are safe? It would seem that insurance companies as a whole have consistently followed this principle. Take public transportation. If we go back over the financial history of the country we find that 30 or 40 years ago what the country most needed was facility of communication. The linking together of far distant communities; the opening up of the west to agriculture; the bringing of products to the seaboard, the furnishing of necessities from manufacturing centers to the farms, the development of mines and transportation of metals and coal, the building up of cities near the newly opened land, the consequent organization of commerce, all indicated the use of capital for building railroads and equipment.

Insurance Officials Shared Vision of the Pioneers

The nation owes its greatness to the railroad facilities. We find the recognition of these facts by the insurance company officers who shared the vision of the pioneers. In 1870 but 1.37 percent of the assets of life insurance companies were invested in railroad bonds and stocks; in 1875 but 1.13 percent; in 1880 3.73 per cent; after that, when the era of support from public funds had ended, and the insurance companies had begun their large accumulations, see how the management responded to public needs. In 1885 railroad investments were nearly 20 percent of the assets; in 1890 over 23½ percent; in 1895 over 25½ percent; in 1900 over 30 percent; in 1904 32 percent; in 1911 over 35½ percent; three years later show a decline as the needs decreased and the proportion dropped to 33½ percent, then in 1917 to 32½ percent, and last year to 28¾ percent.

The debt the country owes to the life companies in the matter of transportation has perhaps not been realized. The companies have done their share in civilization, for this is the result of developing the country in facility of communication. Manufacture of rails, locomotives and cars supported largely the steel industry, not to speak of supplying distant communities with steel products; the forests which without railways would still be standing supplied lumber for building; food for the world was raised and carried to the people; millions of men were supported by the industries built up. These are perfectly obvious facts, so patent as not to be properly appreciated, and the point often overloked is that the savings of people put into insurance found their way back to the people's pockets in wages. I have often called life insurance premiums the circulating life blood of the country. We need not elaborate this idea further, or do more than mention the matter of urban and interurban rail systems.

Big Share In Real Estate Mortgages

Next take the public need of cultivated farms and city dwellings, store houses, shops, office buildings. Mortgage loans have generally formed the largest percentage of life insurance investments. Here is a need which just at present attracts the most public attention. Criticism has been insistent that the companies have not done their duty. They have been blamed because of the shortage of housing. It is unthinking criticism. It has even been claimed that mortgages should be, if not almost the sole, yet the very greatly predominating form of investment. This criticism overlooks several facts. First, investments must be to some extent liquid. One company was called upon to pay $24,000,000 in a year on influenza claims over and above its normal mortality—about 50 percent. Second, if all the companies undertook mortgage loans almost exclusively the rate of interest would fall to a point very detrimental to the interest of policyholders. Third, if such a rule were established by statute the supply would exceed the demand; there would be a large amount of uninvested assets. And lastly, and as important as any, and really fundamental, is the fact that the housing situation would have been just as bad if the policy now suggested had been the rule of the companies. During the war there was no unsatisfied demand for mortgage loans on good securities. Building stopped. Parenthetically we may remark if the rule desired had been statutory the United States government would have been seriously hampered in the prosecution of the war by lack of funds, and the statutes probably would have been repealed. One reason building stopped was that there was no great demand and little capital which was available to back up the mortgage loans, which, of course, are only half the building costs. Besides which it will be remembered that the federal government put great restrictions on building construction, and that permits to build and even to make improvements or alterations in existing buildings had to be obtained.

Hindrances to Loans Found After the War

After the war, when real estate began to be active and it was realized that years of quiescence had caused a shortage of all kinds of buildings, several obstacles were found in the search for loans. The surtaxes on income caused estate and individuals to call existing mortgages for payment for the purpose of reinvesting the funds in tax-exempt securities or those yielding a high return and to refuse to make new mortgage loans. Seekers for loans on new construction met with the competition of borrowers whose loans were called who were looking for new lenders. The high cost of labor and material has deterred builders, and on this high cost, the proportion heretofore regarded as safe to loan has been diminished; because the mortgages are permanent loans and the investor must look far ahead for ultimate real estate values when he determines how much to lend. It is significant, however, that the insurance company which is the largest investor in New York City mortgages has not refused here or elsewhere a single application with adequate security on housing enterprises, and has loaned this year, and agreed to loan on mortgages, $80,000,000. Its loans and engagements of the year cover 107 apartments and 2,024 dwellings, accommodating 5,038 families, besides nine hotels. Of these, 620 loans are in New York City and 1,511 elsewhere. The dwellings are not expensive ones, the loans running from $2,000 to $5,000. The fact that it has refused none indicates that other companies and institutions must be lending. And can anybody say that the life insurance companies should be the only lenders on bond and mortgage? It is not their fault that the tax laws have cut out of the market the private investor and the managers of estates; nor that there are in the market huge amounts of tax-exempt investments of local government bodies. Safety of all the funds of life insurance companies would seem to call for diversity of investments within the limits of existing laws.

Must Compete With U. S. on Farm Loans

And there is the matter of farm loans. Dwellers in cities have had direct benefit in the matter of lower food costs and would suffer if agricultural development were curtailed. The life companies are called upon for these loans and have over a billion dollars so invested—15 percent of their assets; although in this field they have to submit to the competition of the federal government, which exempts mortgages made under its system from taxation. The history of farm loans is very creditable to the life companies.

As to the total mortgage investments, back in 1870 nearly 40 percent of the assets of the 39 companies was on bond and mortgage; in 1875, 58 percent; from 1880 to 1895, about 40 percent; and last year they were over 30 percent. The end of this year will probably see this percentage increased; for the increase of mortgage loans by the 39 companies in 1920 to the end of October amounts to $232,739,386.70, of which $151,348,902.23 were on farms, $78,875,359.47 in cities, and $2,500,000 not separated in the figures furnished to us by the companies. Thus today the companies have the enormous sum of $2,082,836,848.46 invested on bond and mortgage, about equally divided between farms and cities, and have made commitments for many millions more—one company alone having promised nearly fifty millions in loans not yet closed.

Investment in Localities Where Policyholders Reside

The last principle mentioned to be discussed is the distribution of investment in localities where policyholders reside. This problem has been up in various forms for several years. The claim has been made that life insurance companies should be compelled by state laws to invest a large stated proportion of the policy reserves upon lives in the respective states in certain designated classes of securities of or in those states, or political divisions thereof. One state passed such a law. The consequence was that the most important companies withdrew from the state and have never returned; another consequence was the rise in the rate of interest on mortgages in the state because of the withdrawal of company loans. The agitation for that kind of legislation has never ceased, and even in the enlightened state of New York something along that line has been proposed; as, for instance, compelling loans on bond and mortgage in some proportion to the assets. Much can be forgiven people who have the responsibility of meeting acute housing deficiency. But they must think things out. The fact is that the life insurance companies doing business in this state have about 60 percent of their New York reserves invested in New York real estate mortgages and real estate. Such a law passed in New York would lead to retaliatory legislation. The ultimate result would be the diminution instead of the increase of mortgage loans in the state.

Safety First Is Rule on Investments

The fact is that there is no obligation upon the companies to the various states in matter of investments. The right to do business is purchased by the payment of taxes and license fees and the subjection to state supervision. The obligation of the companies is to their policyholders in the respective states. The way to conduct an insurance company is to meet the reason-

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JAN. 19 LIFE INSURANCE DAY

National Thrift Week, Jan. 17-23, under the leadership of the Y. M. C. A. acting with government and commercial organizations, features National Life Insurance Day as the third day of its program.

The Thrift Week Program includes:

Jan. 17, National Thrift Day or Bank Day—To emphasize the service financial institutions render in a community and the benefits of doing business with them.

Jan. 18, Budget Day—To emphasize the importance of planning expenditures in advance, buying and investing wisely and keeping a record of expenditures.

Jan. 19, National Life Insurance Day—To emphasize the importance of planning expenditures in advance, buying and investing wisely and keeping a record of expenditures.

Jan. 20, Own Your Own Home Day—To emphasize the importance of living under the shelter of one's own home.

Jan. 21, Make a Will Day—To emphasize the importance of planning for the future welfare of one's dependents by making a will.

Jan. 22, Pay Your Bills Promptly Day—To emphasize the value of credit and the moral obligation of paying bills promptly.

Jan. 23, Share With Others Day—To emphasize the religious privilege of sharing a part of one's income with the church or other unselfish causes.

Emphasize Moral Obligation

It is felt that insurance companies, working with Thrift Week leaders, will find National Insurance Day a psychological time to emphasize the moral obligations of carrying life insurance, and its effect upon the character and life of the individual.

Another phase of life insurance as it works upon the character of the man is set forth in the argument that the man who is conscientious in discharging his obligations to his family will be conscientious in other things. The principles of thoughtful provision for the future, wisdom in investing and discharging moral obligations manifested in the man who takes out life insurance will eventually lead to the responsible position such a man is worthy of filling.

Backed by Organizations

The ideals of National Thrift Week being in harmony with such ideals as Life Insurance Companies uphold, the movement has the hearty endorsement of the Association of Life Agency Officers, the National Association of Life Underwriters, the American Life Convention, the Canadian Life Underwriters' Association, in addition to a large number of representative associations in different fields of civic, financial and industrial life.

Better Trained Agents Are Asset to Home Office

J. V. E. Westfall of Equitable Life of New York Outlines Advantages to Be Obtained By Companies Through More Careful Selection and Education of Men in the Field

J. V. E. WESTFALL, vice president of the Equitable Life of New York, speaking before the Association of Life Insurance Presidents at its session in New York this week on "The Relation of the Agent to Some Executive Problems," emphasized the importance from the home office standpoint of improving the method of selection and educating the agency force, and gave five important benefits which would be derived from an improvement along that line. He said in part:

Thirty years ago the annual new business of the old line companies in the United States was a little over $1,000,000 and the total outstanding business $3,500,000,000. Last year the new business had grown to more than $8,000,0000,000, and the outstanding business to $36,000,000,000.

Although within this time there has been a corresponding development in

J. V. E. WESTFALL
Vice-President Equitable Life of New York

the selling organizations of the life companies, it has not kept pace with that of the other branches of the service. Some of the imperfections of agency methods of 30 years ago still exist, and even today the question of immediate volume plays too great a part in the determination of agency policy. There are many high-grade, well-equipped men in agency work, but alongside of and working with them are many indifferently selected and poorly trained solicitors whose influence tends to harm rather than benefit the institution of life insurance. Too little attention is paid to the selection of the individual agent and his training, and much remains to be done in developing organized selling plans and methods. Most mistakes in this world result from a failure to face situations promptly, or from the making of unnecessary compromises. So, today, I believe that life insurance executives should squarely face the problem of improving present agency methods. I believe the greatest opportunity for the conservation of life insurance lies in the improvement of the methods of selection and education of the agency forces.

Agent Backbone of Business

The agent is the backbone of life insurance, for it has been demonstrated time and time again that only through agents will the public be induced to carry anything approaching an adequate amount of protection. An institution which is performing the broad public and social service which is rendered by life insurance should be represented in the field by trained experts, men of ability and integrity, men who are respected in the communities in which they live. This can be accomplished only by the exercise of great care in their selection, supplemented by thorough instruction. This is beginning to be generally recognized as is shown by the attention which has been devoted to this subject in the last two or three years by the various organizations formed for the purpose of improving agency methods. The fact still remains, however, that, generally speaking, any supposedly trustworthy man can obtain a position as a life insurance solicitor regardless of other qualifications, and in the great majority of cases his education is altogether too meager at the time when he is allowed, or rather forced, to shift for himself. The natural result is a high percentage of failures. It is estimated that 60,000 salesmen leave the life insurance field annually. These 60,000 failures will deter many thousands from entering the field of life insurance as agents. Also the assumption that these 60,000 failures would make at least 3,000,000 poor contracts with life insurance prospects before leaving the business seems reasonable, thus adding to the difficulties which the trained agent must overcome.

Must Increase Individual Efficiency

"Probably not over 75 percent of the new agents appointed produce any business at all, and of this 75 percent a large proportion do not produce enough to gain a livelihood. The problem then of decreasing the cost due to agency turnover becomes one of increasing individual efficiency, the answer to which is intensive education in life insurance salesmanship preceded by a careful selection of the prospective agent. Let me give you two striking examples tending to demonstrate the truth of this statement! The manager of a depleted agency of one of the larger companies selected with care 15 prospective agents and gave them a thorough preliminary course in insurance salesmanship. Up to Nov. 1, 1920, these 15 agents had written on the average nearly $150,000 per man in five months. Another manager of another large company selected seven new agents and gave them a similar course of training with the result that the seven averaged $126,000 per man in the same period of time. Surely in the face of such results as these, one is justified in being optimistic with respect to the serious problem of agency turnover.

Reducing Lapse Wastage

It goes without saying that the executives of insurance companies are all intensely interested in reducing the wastage which comes through the lapsing of insurance. Lapsed business is expensive not alone because of the actual dollars and cents loss, but also because of the loss which comes from dissatisfied patrons. This loss cannot be estimated. It doesn't follow, of course, that all lapses are due to dissatisfaction, but as a general principle too large a percentage of them does represent insurance which did not fit the case, or insurance which was in excess of the amount for which the insured was able to pay. Lapsers on the whole constitute a body which is unfriendly to the companies whose insurance they have dropped. Nearly every company maintains some sort of machinery more or less elaborate for the conservation of its business. This may take the form of trained men to call on dissatisfied policyholders to try to keep the business in force; agents and agency managers may be penalized because of the lapsing of insurance; the home office may let it be known that success is not measured by the amount of insurance placed upon the books but by its persistence; or various devices may be adopted to establish and preserve intimate relations between the company and its policyholders.

HOW BETTER AGENTS CAN HELP COMPANY

1. The wastage due to agency turnover would be materially decreased.

2. The loss, both direct and indirect, occasioned by the lapsing of policies would be greatly reduced.

3. The respect for and the knowledge of life insurance among the public would be greatly enhanced.

4. The injury done to the institution of life insurance by the ignorant, incompetent and inefficient agent would be greatly diminished.

5. The establishment of a sense of responsibility among the agents with respect to the general welfare of their companies would increase the economy of administration and greatly improve the service to the public.

Whatever program is followed, the assistance of a thoroughly trained and representative field force is of the greatest importance.

Commence When Business Is Written

Further, the conservation of business should commence at the time it is written. Much of the machinery which is now considered necessary to keep the business in force could be eliminated if the business were written by thoroughly trained life insurance salesmen. Frequently the insurance profession induces men skilled in the art of salesmanship to take up insurance, without any training in the fundamentals of the business, with the result that large amounts of insurance are sold without careful consideration being given to the prospect's real needs. This represents a type of sales which may for want of a better term is called sales through semi-hypnosis. What happens when the prospect has time to think the transaction over? He is disappointed and often downright hostile to the agent, the company, and insurance in general. When the time comes to pay the second premium he shows his displeasure by a refusal to continue. The lapse is not due entirely to the method of sale but to the method plus a lack of fundamental knowledge as to what insurance is and what it will do for the individual. There is another class of salesman who are neither skilled in the art of salesmanship nor in the fundamentals of insurance. They sell insurance largely by the trial and error method and by dogged persistency. Most of their clients buy not because they are induced to do so by the salesman, but because they feel that they should have the insurance, and they ask the advice of these salesmen and purchase accordingly. It is merely an accident if the policy sold is based upon the prospect's real needs. Later the insured usually finds that the policy does not meet his needs and did not meet them at the time he purchased it. He may keep the insurance because of the realization that he would lose materially if he should drop it, but even if he does continue it is with a mental reservation against insurance and a feeling of hostility against the companies which allowed such men to represent them.

Diagnosis Important Function

Different policies have been devised because of different human needs, and the most important function, therefore, with respect to the sale of life insurance will always be the diagnosis. Today we need life insurance diagnosticians and they can be had only by thorough training.

The trained man knows the purpose of insurance and the many specialized values and uses of insurance. He selects better prospects in the sense that he selects those who have a definite need for insurance. He determines the different needs for insurance and then finds people who fall into the various classifications. He creates a good attitude on the part of the public toward insurance, and is instrumental in getting a better class of men to enter the insurance profession. The trained man has a broad vision and appreciates that the institution of life insurance is bigger than any company. He will, therefore, cooperate even with the agents of other companies in preventing the lapsing of insurance. He has more invested than the untrained man, and therefore, is more likely to remain in the profession and continue to render service to his clients. All these characteristics are most important with respect to their influence on the conservation of the business.

Watch Welfare of Company

There is one phase of the education of the agent now often neglected which should receive great emphasis, and in which there are splendid possibilities. That is the development in him of a sense of responsibility with respect to the general welfare of his company. There has always been a line of demarcation between the home office and the field forces which if eliminated would immeasurably improve the service and increase the economy of administration. There are many safeguards established in the home offices of the life companies, and much machinery maintained for the conservation of business and other purposes which would be unnecessary if the responsibility of the agent were more generally extended to problems in connection with which he is in a position to exercise an important influence. The feeling is much too prevalent that questions relating to selection, settlement of claims, and many other administrative functions are strictly home office matters in which the agent need bear no responsibility. For example, in the selection of risks the beneficial influence of the agent who is keenly alive to the interests of his company is apparent. The agent is the first protection which a company has against the acceptance of poor risks. It is not so much in connection with obviously bad risks that the agent's discretion and integrity are important as it is in the case of risks concerning which there are facts which influence mortality, but are not readily discerned through medical examination and inspection reports.

Mortality and Agency Organization

It is furthermore obvious that the general character of the risks from which a company must select is determined by the class which the agent

presents, and this class is that which the agent's standing, education, and character make it. Many times unsatisfactory mortality in a particular locality is directly traceable to faulty agency organization and can be corrected by making the necessary changes in that organization. I have in mind a case in which one of the larger New York companies had been experiencing a mortality in one of the far southern states worse than in any other state in the Union. This company improved the mortality in this particular state to a point approximating the average for the entire company, not by drawing dead lines around certain sections and adding further selective restrictions, but by confining its agency organization to the larger centers where sanitary conditions and medical service were good, and by selecting its agents from the substantial men of those communities, thus automatically eliminating the undesirable risks from the rural communities which had been contributing the unsatisfactory mortality. This same company in another southern state was experiencing a high mortality which was more unfavorable when computed by policies than when computed by amounts, thus indicating that the smaller policies were contributing the more unfavorable results. This condition was again corrected by confining the agency organization to the larger centers and by the exercise of great care in the selection of its representatives.

Effect of Incontestable Forms

The importance of the co-operation of the agent in the selection of risks has increased tremendously during recent years through the development and improvement of policy contracts into their present forms. The introduction of the incontestable clause was an important step in the progress of life insurance and it increased the reliance the companies must place on their field forces in avoiding fraud at the inception of the contracts. The elimination of restrictions against changes to hazardous occupations and unhealthful residence put further responsibility on the shoulders of the agents to determine reasons behind the application emanating from a conscious intention or the intuition of impending circumstances which will change a good risk into a hazardous one. Many of the companies have extended the benefits granted under their policies by including the disability and double indemnity clauses. These have increased the importance of certain characteristics of the risk and introduced new ones. With respect to these benefits the company should again have a right to expect from the agent intelligence and sincerity in his daily solicitation of prospects.

Agent Is Visualization of Company

The co-operation of the agent with respect to business already in force and a keen realization of his own importance in establishing the reputation of his company are of the greatest value. The agent is the visualization of the company in his community. If his acts are characterized by integrity and the spirit of service, his company will bear that reputation in his field. Lack of integrity or any suspicion of unfair treatment on the part of the agent is sure to be felt by his organization sooner or later in complaints, criticisms, and the lapsing of insurance. On the other hand, the right type of agent is in a position to satisfy complaints and to conserve business through immediate contact with the policyholder in a way impossible at long range through correspondence. Likewise the assistance of the agent can be of the greatest value in settling claims, particularly those arising out of disability and double indemnity clauses. Life insurance companies have no desire to avoid the payment of any just claim. Their investigations with respect to claims are conducted with the idea of ascertaining facts which will justify their payment, and the cooperation of the agent who enjoys the confidence of his company is of the greatest aid therein and is enabling the companies to maintain a just and liberal policy with respect to these disbursements.

Can Extend Responsibilities

It is often contended that on account of the large financial interest which the agent has in the first year premium it is impossible generally speaking to extend greatly his responsibilities with respect to the problems just mentioned. The best answer to the statement "It cannot be done" is that "It has been done." One of the successful managers of a large New York company on being criticized because of his high declination rate devoted himself with such energy to its reduction that during last year one of his agents submitted 140 applications with only one declination, and 16 of his large producers had no cases declined at all. Whether this extreme result was one to be desired is not a question which concerns us in this discussion, but it demonstrates what can be done by a manager who is keenly alive to the possibility of obtaining the co-operation of his agents in securing results which, superficially regarded, might seem to conflict with their interests. I could cite many other instances which would tend to show that the agent can be depended upon under the proper inspiration, if he knows that it is expected of him, to carry far greater responsibilities, with corresponding benefit to his company.

Benefits to Be Derived

In closing, let me recapitulate. I believe the greatest opportunity presenting itself today in life insurance lies in improving the method of selection and education of the agency forces. The benefits to be derived therefrom are manifold:

1. The wastage due to agency turnover would be materially decreased.

2. The loss both direct and indirect occasioned by the lapsing of policies would be greatly reduced.

3. The respect for and the knowledge of life insurance among the public would be greatly enhanced.

4. The injury done to the institution of life insurance by the ignorant, incompetent, and inefficient agent would be greatly diminished.

5. The establishment of a sense of responsibility among the agents with respect to the general welfare of their companies would increase the economy of administration and greatly improve the service to the public.

Salesmanship School for New York

NEW YORK, Dec. 8.—A life insurance salesmanship school, modeled on the Carnegie Technical School plan, is to be started in New York City soon. Twenty-three general agents are underwriting the cost of inaugurating this school with a subscription fund of $15,000. Dr. John A. Stevenson, vice president of the Equitable, will aid in organizing this school and selecting its faculty. Teachers in New York City University will give part of the instructions.

Chart of Co-operative Underwriting

A chart of co-operative underwriting, which is expected to be of great benefit to the life insurance men of America, is now being prepared by the executive council of the National Association of Life Underwriters, according to Orville Thorp, president. Mr. Thorp characterized the chart as an effective piece of work and said it would be ready for distribution at the meetings of the presidents association, the association of insurance commissioners and the executive council in New York this week.

GROWTH OF GROUP PLAN

BOSTON, MASS., Dec. 8.—Commissioner Hobbs, in his annual report, gives especial attention to the development of group life insurance in Massachusetts during the past year. In that connection he says:

"One of the most interesting factors in the field of life insurance during the year 1919, containing as it does possibilities of far-reaching effects, is the rapid growth of so-called group life insurance, which, during its nine years of operation in this country, has established itself as a distinct and important branch of life insurance.

"Little understood, and received with disfavor when first introduced, it was considered by many, especially among the smaller companies, as unsound, likely to receive little support, and doomed to early failure. Its phenomenal advance during the last few years not only shows its permanence but a wide public education to its use.

Misunderstood at First

"That it was introduced to replace or compete with the medically selected classes of individual insurance is erroneous. Its sole object is to protect the families of the great mass of wage-earning employes against the loss of their means of livelihood, and its success depends, therefore, not upon the individual but upon the group. Although not based on medical selection, insurance is placed only on all employes of one employer, and after careful examination of the group and its working and sanitary conditions. This, coupled with the facts that, as a rule, only the physically fit are employed, and that general legislation requires a minimum number of 100 lives in any group, results in the application of the law of average effective in other lines of insurance, and has been found to afford ample protection to the insuring company.

New Massachusetts Law

"It may be of interest to note that the last general court of Massachusetts, in permitting companies to reserve for this class of business on the American Men Mortality Table instead of on the American Experience Mortality Table, authorizes a lower reserve by eliminating the necessity of maintaining the deficiency reserve formerly required. The new law reads as follows:

"'The reserve liability for group insurance written as yearly renewable term insurance shall be computed on a basis not lower than the "American Men Mortality Table" with interest at not more than 3½ percent per annum.'

Cost to Company Less

"In time as well as in money this class of business costs a company much less than individual insurance because—

"1. All premiums are paid by the employers instead of by the individuals of the groups, thus lessening the work of premium collection.

"2. There are no medical examiners' fees, and commissions are only about one-third of those paid on individual insurance.

"3. The keeping of records is much simplified by dealing with groups instead of with individuals."

The following figures, showing the amount of new business written during 1919, will give some idea of the immense growth of group insurance:

Companies	Outstanding Dec. 31, 1918	Outstanding Dec. 31, 1919	Percent of Increase
Aetna ..	$142,729,191	$ 239,280,026	67.65
Conn.Gn.	17,459,304	44,185,027	153.07
Equit...	212,395,513	325,956,675	53.47
Metro...	58,925,825	136,262,976	131.24
Prud'nt'l	17,715,893	31,159,390	75.88
Trav'l'rs	137,191,804	301,783,670	119.97

TAX TAKEN CARE OF

HAMON BOUGHT BIG POLICY

International Life Tells About the Big $200,000 Case Written by Kellie M. Roach

The International Life in its agency bulletin tells about the $20,000,000 estate of Jake L. Hamon, Republican national committeeman of Oklahoma, who died following a pistol shot, being guarded against sacrifice by policies delivered two hours before the shooting. The International says:

"Just two hours before Jake L. Hamon was wounded by a pistol shot in a hotel at Ardmore, Okla., Nov. 21, an International Life policy for $200,000 was delivered to him. Hamon died Nov. 26, as the result of a wound inflicted by a single bullet that dramatically converted an International Life policy into a $200,000 death claim.

Had a Big Estate

"The estate is said to amount to $20,000,000 to $30,000,000. It consists mainly of oil fields and agricultural lands and railways that are unencumbered, but Hamon had the foresight to apply for insurance to provide $200,000 of ready cash in event of death to cover cost of administration and to enable the administrator readily to marshal the assets of vast and diverse properties so that the estate would not be depreciated when faced with the government demands for an inheritance tax that must be paid promptly in cash. Like other men of large affairs, Hamon had riches but little idle cash. Two hours delay in the delivery of the policy by Kellie M. Roach, International Life state agent of Oklahoma, who had written the application, would have converted into a worthless scrap of paper an instrument that is calculated now to enrich the estate by $200,000.

Result of Possible Delay

"Two hours hesitancy on the part of the applicant at the delivery of the policy, or a few hours delay and mediation in the signing of the application in the first place, would have reduced a $200,000 death claim to a cipher. But they do big things fast in Oklahoma and a $1,000 application was never written according to Kellie Roach with greater facility and promptness than the $200,000 application that Jake Hamon signed in the full flush of health and life and without a thought of the accident of circumstance, of the impending tragedy that hovered in the offing just long enough, and no longer, than to permit a $200,000 policy to enter into the closing mortal chapter of a rich man suddenly cut off from his fellows in the prime of life. For Hamon, Republican national committeeman for Oklahoma, and one of the rich men of a state of multi-millionaires, had achieved in the 47 years of his life what a thousand men or thousands of men ordinarily must unite to accomplish.

"These are the reports received at the home office from the company's Oklahoma state agency. Word has not yet been received that an administrator has been appointed and proofs of death had not been arranged and forwarded to the home office when this was written. The net amount at risk by the International Life is $20,000, as $180,000 of the risk had been apportioned among reinsuring companies."

Carried $440,000 Insurance

Late reports from Oklahoma City state that Mr. Hamon carried a total of $440,000 life insurance in these companies: Penn Mutual, $50,000; Union Central, $50,000; Aetna Life, $75,000; Great Southern Life, $65,000; International Life, $200,000.

Henry Faul, agent for the Travelers at Evansville, Ind., took a leading part in the fall convocation of the Scottish Rite Masons at Evansville Nov. 16-18.

Seeks Tax Equalization Rather Than Reduction

Secretary of American Life Convention Offers a Suggestion for Using Net Gains as Equitable Basis, With Gross Premium Percentage Tax Proposed as an Alternative

THOMAS W. BLACKBURN of Omaha, Neb., secretary and counsel of the American Life Convention, speaking before the Association of Life Insurance Presidents at its meeting in New York on "State Taxation of Life Insurance," calls attention to the inequalities of the present system and the need for reform. Mr. Blackburn says:

Useless to Claim Exemption

In view of the fact that there is not a shadow of hope or probability of escaping taxation, it seems to me to be a waste of time and gray matter to con-

THOMAS W. BLACKBURN

Secretary and Counsel American Life Convention

tend that life insurance companies should be exempt. We may declaim ourselves hoarse against taxation of thrift and file briefs galore with legislative and congressional committees to show that life insurance is the policyholders' voluntary tax, and that it is double taxation to impose an additional levey upon the premiums the policyholder voluntarily pays. We may argue most plausibly that life insurance prevents pauperism and protects widows and orphans and therefore it is contrary to public policy to make the thrifty, considerate and affectionate father, who denies himself to make provision for his dependents and thus relieves the state of expense which it could not otherwise escape, dig down into his pockets for the simoleons demanded by the tax collector. The fact still remains that the states must have money and life insurance companies and life insurance policyholders afford a ready source of revenue, easily tapped and cheaply collected. There is no escape. In the language of the first executive of the Association of Life Insurance Presidents, "It is a condition which confronts us—not a theory."

Taxes Many and Varied

In search through the revenue laws of the various states I find that life insurance companies are forced to pay in the states, "taken by and large," as the college professor might say, income taxes based upon arbitrary methods of calculating income orginally devised either by his Satanic Majesty or the treasury department at Washington; premium taxes likewise arbitrary and most inequitable, but easily computed; corporate taxes varying in form from direct levies on capital to flat license fees and special percentages based upon the well-known railroad rate principle of collecting what the traffic will bear; franchise taxes levied upon the intangible right of association for a specific purpose; asset taxes, ignoring the trustee principle upon which the assets are assembled and held; municipal license fees and other forms of municipal taxes; privilege taxes represented by license fees wholly unconscionable; agents' licenses at exorbitant rates; fees for service of summons upon the insurance commissioner; valuation taxes for valuations frequently made without expense to the state; examination taxes to pay for state examiners who draw salaries from the state or who are deserving political strikers allowed a per diem and expenses; retaliatory taxes which are reprisals upon foreign companies penalizing them for legislative or departmental action for which the victims of the retaliation are in no wise responsible; departmental fee taxes from 10 cents to $50 for services of one sort and another which have been generously covered in other forms of tax; taxes on bank balances in agency offices previously assessed to their companies in income or premium taxes, and finally personalty and real estate taxes not generally inequitable or improper.

Discrimination Should Be Ended

This recital will demonstrate the fact known to all life insurance people, that our business is taxed in more ways and for more purposes and with more unique ingenuity than any other form of commercial endeavor in America. To the extent that these taxes are additional or differ from taxes levied upon other commercial enterprises in the same state they are fundamentally wrong and should be discontinued.

To begin with, the departmental fees should be reduced all along the line from the 10 cents per folio for copies of papers to the admission fee of $300 more or less. There is no excuse for these fees excepting to recompense the state for services rendered to policyholders in supervision. The outrageous charges for examinations should be eliminated entirely and expenses thereof paid out of the states' receipts from departmental fees and licenses. Washington is the only state which does not collect examination fees for examining companies, while California not only demands very large fees but requires companies about to be examined to deposit the estimated cost in advance. Fortunately the scandalous methods of wholesale grafting tours formerly regarded as proper perquisites of political office are no more.

Retaliatory taxes cost our companies a pretty sum. Inasmuch as 33 American states provide for them, and they are applied to every form of fee, license and tax, they are steadily increasing. Reciprocal taxes are the opposite of retaliatory taxes, but only three states have any form of the former. Illinois, until 1919, combined the ideas, but that great state fell into line with the others in that year.

Tax Losses and Indebtedness

In no other business are losses and indebtedness taxed as property. In our business a few states permit losses to be deducted, but others tax the reserves, which strictly speaking, we owe our policyholders. In other lines double taxation is disapproved by courts and avoided by legislatures. In our business the state taxes the policyholder as income the sums paid into the company as premiums and then taxes the company 2 percent for receiving the income. It requires a privilege tax for entering the state and levies a percentage tax for the business done under the license. The state hits the agent for from $2 to $50 a year for a permit to do business, and follows him in some states with a municipal premium tax and municipal license fee. Fraternal societies and assessment associations doing business in competition with legal reserve life companies in the same way that our companies do business and for the same laudable purposes, are exempted from premium taxes and most other forms of license fees. There should be no discrimination. In passing it may be remarked that foreign companies are regarded as legitimate prey, and in most cases they pay more in state taxes than domestic companies. This discrimination is wrong, too.

Gross Premium Tax

The gross premium tax, one may grant, is the simplest form of tax which a state can levy. There is that much in its favor, but what excuse is there for a 1 percent tax on premiums of mutual companies in Rhode Island and a 2 percent premium tax on stock companies? Why should the premium tax be 1 percent in New York less reinsurance and dividends and 3 percent less losses actually paid within the state in Indiana and 3 percent gross in Texas? What sort of an excuse can be offered in North Carolina for a $250 company license fee; annual license fee of $27; agent's license, $3; district agent's license, $5; examination per diem; abstract for publication and a gross tax of 2½ percent of gross receipts?

Arkansas makes no provision for a license fee but charges $100 as an annual filing fee; agents, $2; 3 cents for valuation; a franchise tax of $100; a capital stock tax of $100 to $200; a premium tax of 2 percent gross and requires the company to put up a bond for $20,000. In South Carolina the imposition is not so bad as far as the state fees and taxes are concerned, but every municipality takes toll from agent and company and a $20,000 bond is required. California and Louisiana demand bonds in a like manner and Rhode Island bonds agents to make sure of taxes.

Heavier on Foreign Companies

The gross premium tax of 2 percent with variations as to deductions is levied upon foreign life companies in Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Hawaii, Idaho, Illinois, Kansas, Kentucky, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont and West Virginia—24 states and Hawaii.

The gross premium tax is 2½ percent in Iowa, Montana, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Tennessee and Wyoming—9 states. Virginia and Washington collect 2¼ percent; Indiana and Texas 3 percent; Utah, Maryland, Georgia, Maine and District of Columbia 1½ percent, and New York and Alaska 1 percent. Connecticut, New Jersey and Wisconsin collect reciprocal taxes, but Wisconsin plays partly even by a $300 license fee. Massachusetts taxes the net value or reserves ¼ of 1 percent. The only other state in the Union which does not provide a statutory or reciprocal or retaliatory tax on premiums is Nevada. Thirty-three states have retaliatory laws. Five states, Colorado, Georgia, North Carolina, South Carolina and Texas allow reductions when certain percentages of assets or reserves are invested in the state. Louisiana and Montana have a special method of privilege taxation which produces results to their revenues. Income taxes are levied against life companies in Massachusetts, Montana, North Dakota and West Virginia.

Have "57 Varieties"

It will be seen that we have as many as 57 varieties of tax methods in the 48 states, two territories and District of Columbia, and it is obvious that there is nothing scientific about any single one of the varieties unless it be scientific to "get wherever the getting is good."

It seems to me that we should approach this tax question, first with a view not so much to secure a reduction of what we must pay, as to equalize the taxes throughout the states and reduce the number of items subjected to taxation. It would seem wiser to agree with the states that we must contribute our share toward their financial necessities, but we should ask that the taxes be limited in scope to certain definite and specific lines. If we are to be taxed as ordinary corporations are taxed, let us pay accordingly. If we are to be made the subject of special taxes, let us reduce the number of forms of taxes to two, one a privilege tax and the other a tax on real and personal property within the jurisdiction of the state. The privilege tax

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It seems to me that we should approach this tax question, first with a view not so much to secure a reduction of what we must pay, as to equalize the taxes throughout the states and reduce the number of items subjected to taxation.

What would be an equitable method of taxation? The method of calculating net gains in the gain and loss account for business in a given state could be fixed by law and a percentage of this gain properly paid to the several states. This would be fair to the companies, logical, easily assessed and easily collected.

We have discussed taxes all these years without uniting to propose to the states a method which would fairly fit the situation. Instead of fighting taxes, as has been corporate practice for half a century, let us join hands with the legislatures and the departments and see if we cannot arrive at a basis which will relieve the companies of the present inequalities and at the same time produce reasonable revenues for the states.

As an alternative let us consent to a gross premium percentage tax in lieu of all other taxes, except personalty and real estate. If the state would agree to this, it would be better than the present system, although a premium tax is fundamentally wrong.

—T. W. Blackburn to Life Presidents.

should not be levied on premiums received on volume of business done in the state or be assessed under the guise of licenses. We should devise a fair method of taxation and consent to the imposition of a fixed rate for all foreign companies, and the tax should be payable in one lump sum to the insurance department or the state treasury of each state.

What Is Equitable Method

What would be an equitable method of taxation?

Every life insurance company carries in its gain and loss account the gains from loading, gains from interest and gains from mortality. It carries also on the other side losses from loading, and losses from mortality but seldom losses from interest. The method of calculating net gain in the gain and loss account for business in a given state could be fixed by law and a percentage of this gain properly paid to the several states. This would be fair to the companies, logical, easily assessed and easily collected. While it might not produce as much revenue as is now realized from the multifarious forms of taxes, it would at least be equitable and could not impair solvency. In addition to this tax and the tax on real and personal property owned within the jurisdiction of the state, the companies could consent to pay the cost of supervision on the basis of the fees paid for entering and doing business in the state.

These privilege fees could be very materially reduced. In fact, they could be reduced to one-tenth of the present charges and provide abundantly for all the work of supervision in all the states, and no single state would have any advantage on this basis over another.

Would Cease Fighting Taxes

We have discussed taxes all these years without uniting to propose to the states a method which would fairly fit the situation. Instead of fighting taxes, as has been the corporate practice for half a century, let us join hands with the legislatures and the departments and see if we cannot arrive at a basis which will relieve the companies of the present inequalities, and at the same time produce reasonable revenues to the several states.

As an alternative let us consent to a gross premium percentage tax in lieu of all other taxes, except personalty and real estate.

There was a general proposition approved by both the Association of Life Insurance Presidents and the American Life Convention as early as 1908 for a uniform gross premium tax of 1 percent. If the states would agree to this it would be better than the present system, although a premium tax is fundamentally wrong. It would present no difficulties of application and would continually increase the annual revenue, and a uniform tax of 1 percent on gross premiums in all the states would be the fairest form of direct tax so far devised. It should be in lieu of all other taxes so far as foreign companies are concerned and a deduction from the total of the gross premium tax should be allowed for real estate taxes, death losses and sums paid living policyholders..

Could Be Made Rule for All

If all the states should adopt the idea, it is fair to assume that it would become the rule for domestic companies as well as foreign companies and all policyholders would then be paying taxes upon the same basis. Reciprocal and relatiatory tax provisions could be eliminated and local departmental fees reduced to the minimum. Policyholders would be saved large sums of money and the taxation problem now so intricate and troublesome would be no more. The companies would no longer be in danger of asset taxes which might drive them out of business and the individual policyholder could rest serenely secure against the often threatened tax on surrender values. This form of tax would not be hurtful to fraternals or assessment organizations and is likewise adaptable to every other form of insurance. It is a fixed policy in nearly all the states already and may be the best system for united action under existing conditions. It at least offers a basis for agreement between the states and would be a long, long step toward uniform legislation affecting life insurance, a hope long deferred but an ideal commending itself to policyholders, companies, supervisors and the courts.

REGULATION PROBLEM

CONFLICTING LAWS HANDICAP

Head of Commissioners' Convention Discusses Question Before Life Presidents

Speaking on "The progress of insurance through constructive regulation," Frank H. Ellsworth, Michigan commissioner of insurance, who is president of the National Convention of Insurance Commissioners, reviewed the progress of regulatory legislation before the Association of Life Insurance Presidents at its meeting in New York this week. He complimented the companies for the spirit of cooperation which they had shown and pointed out some of the problems with which the commissioners had to contend. He emphasized the handicap imposed by conflicting laws. He said in part:

Subject to Regulation

"The character of the insurance business, the method of conducting its operations, and the nature of the contracts, make insurance peculiarly a business subject to regulation. No argument is necessary to justify this conclusion, for it is a generally accepted principle that there must be a department authorized to take an active part in a proper regulation of this business.

"Many causes can be assigned for the progress of life insurance, and possibly the two most important are service and publicity. A better study has been made of the needs of the people, and the policy contracts are more clearly defined, with surrender values and loan privileges extended, various options offered, with a safeguard against lapses and numerous other provisions, some due to company initiative, and others to legislation, but the insurance buying public is being gradually initiated into the many mysteries surrounding insurance, with increased interest in its benefits. The companies are awakening to the necessity of greater publicity and establishing a closer relationship between the insurer and the insured, with substantial benefits to both.

Conflicting Laws a Handicap

"The regulation of the business in the United States is largely a matter of the last 50 years, and its wide application a matter of the past 25 years. Possibly one of the greatest handicaps imposed on insurance has been the many conflicting laws of the various states, which an operating company has been compelled to recognize. Numerous difficulties confront the life insurance companies, which the state system presents, but the policy of the commissioners is to lend aid wherever possible, for the purpose of securing uniform legislation and regulation. Gratifying results are in evidence everywhere, due to the cooperation between the companies and supervising officials.

"One of the great troubles to the departments has been the operations of the agent, and while the volume of business has increased, the complaints to the department have decreased, due chiefly to an improvement in the class of agents selected. The agent now, to compete successfully, must not misrepresent the contract he is selling, nor misrepresent another company, for all companies licensed by the department are on an equal basis, and entitled to proper respect. Company management

FRANK H. ELLSWORTH
Michigan Insurance Commissioner

has materially improved this condition, which was formerly a source of great annoyance.

Opposes Retaliatory Statutes

"We still have the old relic known as the retaliatory law, which the departments are compelled to recognize, and the commissioner must administer a penalty to an innocent company, because another company is being unjustly punished. This feature, and the subject of taxes, should be recognized, and a uniform effort made to bring about a just and equitable method for a proper disposition of these subjects.

"We can have state regulation, but the business cannot be treated as purely state business. Its operations must be viewed from a national standpoint, which provides for a continuation of the excellent work already accomplished by the Commissioners' Association. Life insurance has had a phenomenal growth in this country, which is sufficient evidence that the regulations have been favorable to its progress, and supervision of such a nature as to permit its broadest development."

LIFE PRESIDENTS CONVENE

Many Executives Put in an Appearance Early—Meeting of Unusual Interest This Year

NEW YORK, Dec. 8.—Life company executives already in town to attend the annual gathering of the Association of Life Insurance Presidents include President Hamilton, Federal Life of Chicago; President Coffin of the State Life of Indianapolis; President Wilson of the International Life of St. Louis; Vice President Nollen and Vice President Hadley, Equitable Life, Iowa; Vice President Taylor, Atlantic Life, Richmond; President Woollen, American Central Life, Indianapolis; President Rodes, Two Republics Life, El Paso; President Seay, Southland Life, and Vice President Simmons, Pan-American Life of New Orleans. The gathering of the association this year promises to be of unusual interest. All life men tell of large business had by their companies this year, but also admit that applications have dropped materially in recent months.

Northern State Examined

The report of the Minnesota department covering the examination of the Northern State Life of Minneapolis as of Sept. 30 shows assets, $201,207; capital, $100,000; net surplus, $5,374. Contributions of surplus amounting to $13,300 were made by the president when the verification of the annual statement as of Dec. 31 was made. The company has business in force amounting to $7,500,000..

PRELIMINARY TERM IS DISCUSSED BY HOBBS

Massachusetts Commissioner Favors Making Concessions Along That Line

BOTH PLANS HELD SOUND

Called Question of Expense Allowance Rather Than One of Actuarial Solvency

BOSTON, MASS., Dec. 8.—The preliminary term method of valuation of life insurance contracts is one of the principal topics covered in the annual report of Commissioner Hobbs, just made public.

The preliminary term method has fared ill in recent attempts at legislation in this state. Two years ago an attempt to put through legislation favoring this method was vigorously opposed by the eastern companies, as opposed to representatives of many southern and western companies that claimed Massachusetts laws were discriminatory and worked unfairly. The present year the local life companies changed their point of view and supported the same bill, but were unable to convince the legislators that their conversion was sincere.

Favors Concessions

Commissioner Hobbs believes that "something may safely be sacrificed in the interest of a uniform standard" and his treatment of the subject in the forthcoming report is believed to be important as forecasting prospective action by the next Massachusetts legislature. He has the following to say as to the preliminary term method:

"The actual issue between the present Massachusetts standard valuation and the standard proposed by the legislation offered this year is a question of expense allowance rather than actuarial solvency. Both standards are actually sound. The difference lies in the method in which expenses are apportioned over the life of the policy. The Massachusetts standard is known as the net level premium standard and carries with it the assumption of a level expense allowance, that is, the same amount is taken for expenses from the first year's premium as from the subsequent years' premiums. The proposed standard, on the other hand, permits the use of a very large portion of the first year's premium for expenses with a correspondingly smaller proportion of the subsequent years' premiums. Although the two systems of expense allowance are over a series of years mathematically equivalent, the allowance under the proposed system is more immediately available.

Demand Not Unreasonable

"The demand for the new system is not unreasonable because the acquisition of new business is attended by expenses which are far beyond the expense allowance contained in the single year's premium. A company which sets up its reserves on the net level premium standard must meet this expense from its surplus earnings and look to future premiums for its reimbursement. The result of this is that a company which is not well fortified with surplus can handle only a limited amount of new business. The proposed method sets up a pay-as-you-go system whereby each policy is self-supporting. It is, therefore, a form of business well suited to a young company and for that reason has been adopted very widely in states where new life insurance companies have been

in process of formation. Under the net level premium standard the formation of new companies is attended by almost insuperable difficulties. For this reason every state except Massachusetts has allowed a departure from the net level premium standard.

Figures on Use of Bases

"The following figures are of interest as showing the extent to which the several bases are used: 46 companies use the net level reserve, being 19.25 percent of companies incorporated in the United States; their reserves, however, as of Dec. 31, 1918, amounted to $4,954,528,904, or 92.69 percent of the reserves of all the companies; 56 companies, or 22.59 percent, use the Ohio modified preliminary term, Ohio standard; their reserves amounted to $113,-699,236, or 2.13 percent of the total; 99 companies, or 41.42 percent of the total. use the Illinois standard; their reserves amounted to $140,958,442, or 2.64 percent of the total; 32 companies, or 13.39 percent, use the full preliminary term; their reserve amounted to $95,-025,361, or 1.82 percent of the total; 7 companies, or 2.93 percent of the total, use the select and ultimate standard; their reserves amounted to $38,651,-039, or .72 percent of the total; 1 company only uses the New Jersey standard, and its reserves are insignificant.

Failure Not Due to Reserve Plan

"From this it appears that the overwhelming preponderance of insurance in force is on the net level basis, but that three-fourths of the life insurance companies of the United States use the preliminary term in one of its three principal forms. A number of these companies are in sound condition and doing extensive business. There has been a marked number of companies organized on the preliminary term basis that have failed. It is fair to state, however, that the cause of their failure must be laid to the manner in which they were organized rather than to their method of setting up their reserve. A proper regulation of organization expenses and a greater degree of care and experience in the early operation of these companies would doubtless have avoided many failures. It is also true that on the net level basis most of these companies could not have operated at all.

Not Question of Solvency

"The conclusion which may be drawn from the above facts and figures is that while the net level standard is unquestionably safe and endorsed by the practice of the largest insurance writers in the United States, every state except Massachusetts which has dealt with the subject at all has found it necessary to allow some latitude in order to make the organization of new companies a possibility. As to how much latitude should be allowed is a question of discretion. Whatever legislative action may be taken, it is not to be expected that the companies now using the net level standard will depart from it. Inasmuch as the preliminary term standard is actuarially sound, and the question appears to be one of expense allowance rather than of solvency, it would appear that if both New York and New Jersey took action, Massachusetts might well take the same position. Something may safely be sacrificed in the interest of a uniform standard, and the action would produce a degree of harmony between the states in which many of the prominent net level companies are incorporated and those in which are incorporated many of the younger companies. The objection that Massachusetts has no expense limitation law is one that can readily be cured by legislation whenever necessary. Until, however, there is a prospect of united action there would appear to be no present necessity for immediate action."

J. Levering Jones, trustee of the Mutual Life of New York, died last week at his home in Philadelphia, after an illness of several months. He was a widely known lawyer.

Equitable Plan Offered for U. S. Tax on Life Insurance

BY EDWARD E. RHODES

MY purpose is to try to discuss in a constructive way the question of federal taxation of life insurance. I shall set forth the weaknesses of the present plans; but I shall also show that a plan may be adopted which is practicable, and reasonable and fair to all concerned. Many arguments, sound and unsound, for the complete exemption of life insurance from taxation have been advanced. The unsound arguments have hurt the cause and the sound arguments have not prevailed. Considerations of practical politics and financial needs will always weigh more than argument, and the exemption of life insurance from taxation is a dream. In the language of a statesman whom we all revere, "It is a condition which confronts us—not a theory." It is far better, under such circumstances, that insurance men shall sincerely and wholeheartedly cooperate with the government in finding a reasonable basis of taxation than that they should take an antagonistic position toward all plans that may be presented.

Caught Coming and Going

What is the position of one who has sought insurance protection in so far as federal taxes are concerned? In the first place, he pays a tax at the rate of 80 cents per $1,000 of insurance for the privilege of insuring his life. In the second place, he pays a personal tax upon so much of his income as is required to pay the premium upon his insurance. In the third place, the amount he pays as a premium is again taxed when it reached the company of which he is a member. In the fourth place, if the assessment of an excess profits tax is upheld by the courts the premium is again taxed. In the fifth place, so much of his premium as is held by the company for contingencies is again taxed as a capital stock tax. In the sixth place, when the amount insured is paid to his estate it is again taxed. Thus two federal taxes are paid upon the amount of the insurance and four federal taxes upon the premiums, in whole or in part. This is taxation with a vengeance. The insured is caught coming, standing still and going, in a transaction which he does not enter into for profit and in which there can be no profit.

As the tax upon new insurances and the so-called capital stock tax are war measures to be repealed as soon as possible, there is little to be said regarding them, beyond calling attention to the fact that such taxes form a part of the grand total which holders of life insurance policies have contributed to the cost of the war. The great majority of policyholders are in moderate circumstances and the statement can be made without fear of contradiction that they have contributed far more to the cost of the war than the uninsured in similar circumstances. We might go further and say that many uninsured persons who are in the same walks of life as the insured have made no direct contribution to the cost of the war at all.

Many excellent authorities hold that estate and inheritance taxes should not come within the purview of both the states and the federal government, but should be left entirely to the states which have control under the laws of inheritance. The question is not one of principle only. As a practical matter an estate should not be taxed cumulatively in two jurisdictions. The federal estate tax, as applied to life insurance, can be condemned on other grounds. The gross estate includes the amount receivable by the executor as insurance upon policies taken out by the decedent upon his own life, and to the extent of the excess over $40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life. This is an exercise of "strong-arm" methods of legislation which is about equivalent to saying that black is white.

In Article I of Regulations No. 37 of the treasury department it is set forth that the federal estate tax is laid upon the transfer of property from the decedent to others. The proceeds of a life insurance policy upon the life of a decedent never were the property of the decedent. He never possessed them or enjoyed them. In fact they never existed during his lifetime. They came into being only after his death. They had their origin in a contract entered into between him and others under which it was agreed that certain payments should be made by each into a common fund, and that upon the death of each there should be paid to the legal representatives of the decedent, or to certain named beneficiaries, a certain part of the fund. Only in very extreme circumstances could the contributions of the decedent to the fund equal the amount paid out of the fund. The insured parted entirely with the ownership of his contributions, and such contributions did not constitute even a part of his estate.

Simple Plan Illustrated

Admitting, however, that there may be room for a difference of opinion in those cases where the proceeds of a policy are paid to the executor, what room can there possibly be for such a difference when the proceeds are paid to a named beneficiary? One hundred persons agree to contribute $10 each month to a common fund. They further agree that it shall be invested each month, and that upon the death of each contributor his wife shall receive a proportionate share of the accumulated fund. In the natural course of events the amounts payable to the wives of the contributors will vary. The death of the last surviving member will exhaust the fund. What property is transferred at death from the decedents to their wives? During their lifetime they exercise no control over the amounts which their wives will receive. They cannot divest their wives of their property rights in the fund. Once made they do not control their contributions to the fund. This is an illustration of a simple plan which differs from life insurance only in that in the latter case the contributions to

(CONTINUED ON PAGE 13)

That the present system of federal taxation on life insurance companies is wrong in principle and inequitable in its application is generally conceded. What would be an equitable basis? In this address, given before the Association of Life Insurance Presidents at its meeting in New York, E. E. Rhodes, Vice-President of the Mutual Benefit Life of Newark and one of the best known actuaries of the country, suggests that the best way of taxing companies' income would be to lay the tax upon the free interest income, excluding premiums and taxing the only real source of income which life insurance companies have.

PRESIDENT HOWLAND TELLS OF THE GROWTH

Life Insurance Is An American Institution in Its Modern Status

DEVELOPMENT REVIEWED

From Small Beginnings It Has Evolved Into One of the Great Businesses

Fred A. Howland, president of the National Life of Vermont, was chairman of the annual meeting of the Association of Life Insurance Presidents held this week in New York. He based his remarks on the growth of American life insurance during 75 years. Mr. Howland said in part:

Among the remarkable items in the history of American life insurance are its recent origin and its slow development. That an institution now recognized as one of the great economic factors in stabilizing society should have had its real beginning in this country scarcely more than 75 years ago is only less surprising than that its substantial growth should have been deferred until the last few years. The explanation is not obscure and it carries its lesson.

Wright Was Pioneer

It may fairly be said that to Elizur Wright largely belongs the credit of originating and making effective through legislation net reserve valuation, non-forfeiture, and cash values, the trinity that has made life insurance in this country what it is and opened the door to the almost limitless possibilities of what it may become.

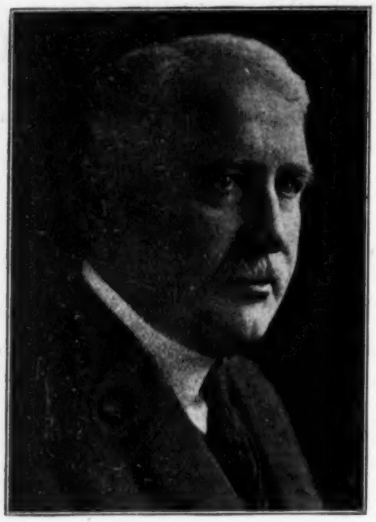
As late as 1859 Wright was ridiculed and derided by some of the most distinguished mathematicians in England and this country for declining to accept gross valuation as a test of solvency. His consequent refusal to admit to Massachusetts an eminent English company because it did not meet the requirements of the net reserve test developed the most dramatic and far-reaching episode in the history of life insurance.

Massachusetts Was Pioneer

Through Wright's efforts Massachusetts as a pioneer made net reserve valuation the legal test of solvency in 1858, passed the first non-forfeiture law in 1861, and enacted the first cash surrender value statute in 1880. The stable development of life insurance in this country awaited the adoption throughout the United States of these fundamentals, and to their final and general acceptance with certain modifications may be largely attributed the great measure of public confidence enjoyed by the companies we represent. Net valuation insured solvency, non-forfeiture preserved equities, and cash surrender values gave the policy negotiability. The reluctance with which these great reforms were accepted throws a flood of light on the early status of the business and in large part explains the slow growth of public confidence in the soundness of the institution.

Uninterrupted Growth Is Seen

With the actuarial principles of the business well established and generally accepted by all old line companies, it would seem that the way was open to an uninterrupted growth along sound lines. But it remained to be demonstrated that in life insurance, as in other endeavors, the human factor is an essential element. What Sheppard



FRED A HOWLAND
President National Life of Vermont and Chairman Association of Life Insurance Presidents

Homans in 1859 claimed with respect to the English societies was later demonstrated in the United States, "that something more than mathematical talent, something more than names, however honorable and responsible, is requisite for the safe and successful management of life insurance companies."

That the amount of life insurance in force in this country in 1886 was actually less than the amount in force in 1871 may be charged to the companies themselves. There was in force Dec. 31, 1886, $2,023,517,488, and Dec. 31, 1871, $2,023,884,955.

Is an American Institution

Life insurance in its modern and accepted status is an American institution. The fundamental principles justifying its existence were first developed and applied here. The volume of life insurance in force in American companies far exceeds that in all other companies of all other countries. In fact, it may fairly be claimed that sociologically life insurance represents the greatest contribution that the genius and enterprise of America have thus far made to the civilizing forces of the world, and its possibilities are limitless.

At a time when a supreme need of the hour is thrift, life insurance is meeting that need beyond any other established agency.

Company investments are intrinsically sound and so distributed as to contribute to the public welfare.

The men in the field are united in earnest efforts to maintain at a high level the quality and efficiency of the great work of solicitation.

The home office is recognizing as never before its own responsibility for bad agency practice and is keenly feeling its obligation to cooperate more effectively with the field in eliminating such practice.

The insurance commissioners of the country are grouped in a national organization which is entitled to and possesses the confidence of the public and the companies, under such joint control as largely minimizes the difficulties inherent in state supervision.

The companies themselves represented in the American Life Convention and in this association are cooperating and will continue to cooperate in a spirit of harmony which places life insurance, the institution, above special corporate considerations.

In short, all the agencies of the business are more and more viewing questions with reference to their effect upon the policyholder himself and his beneficiaries.

Nothing less than eternal vigilance, however, will be the price of maintaining our present vantage ground.

Foreign observers point to three traits as conspicuous in American life: (1) Wastefulness, (2) speculation, and (3) disregard of contract obligations. None of these traits must find a place in American life insurance.

Waste and extravagance are inexcusable in a business designed to promote thrift.

Speculation in any form cannot be condoned in a trustee.

Ungrudging and complete performance of contract obligations and mutuality of treatment of policyholders and beneficiaries must be always and under all conditions observed.

These high standards are being followed as never before by American life insurance companies. The perpetuity of the business under private control depends upon their rigid maintenance. Neither things present nor things to come—not even the corrupting lure of new business, which more than all else has been responsible for company malfeasance—must be allowed to separate us from these standards. If we adhere to them the future of American life insurance is secure.

FEW DIVIDEND RAISES

COMPANIES WILL PLAY SAFE

Some Changes Announced, but General Tendency Is to Retain Schedules Used This Year

In spite of the announcements of the Mutual Life of New York that it will increase its dividends in the year of 1921, there seems to be little tendency among the larger life companies to make any change from the dividend basis in use this year. The Provident Life & Trust has announced its intention of returning to its old scale, but the big eastern companies generally seem inclined to play safe and make no changes at this time, although a few of the smaller companies have announced considerable increases.

Home Life to Continue Scale

The Home Life of New York will continue its present scale of dividends for the year 1921.

The Aetna Life will continue the present scale of dividends paid in 1920 to participating policies through 1921.

The Northwestern National is continuing the 1920 dividend scale for the first six months of 1921.

Federal Back to 1918 Basis

The Federal Life of Chicago will pay double the scale of dividends in 1921 that it has paid in 1920. It thus goes back to the scale of 1918.

The Columbia Life of Cincinnati goes back to its old 1917 dividend scale. The scale for 1919 and 1920 was reduced to one-third of the old scale. The company is now issuing two forms of disability clause as well as the double accident indemnity.

Commonwealth Plans Reduction

The Commonwealth of Omaha, which passed its dividends for 1920, anticipates paying a scale for next year which will be slightly lower than the scale in force during 1919.

The Baltimore Life maintains the same dividend schedule in 1921 as in 1920.

The dividend scale of the Register Life of Iowa will be the same in 1921 as in 1920.

The Canada Life of Toronto will make no change in its dividend scale for 1921.

Continental Scale Not Decided

The Continental Life of Wilmington will not decide its dividends for 1921 until after the business for the year has been closed.

The Fidelity Mutual Life dividend year runs from April 1 to March 31 and the company has as yet made no decision with reference to dividends for 1921.

In all probability there will be no change in the dividend schedule of the Scranton Life in 1921 from the 1920 scale, certainly none downward, but it is yet too early to make a definite announcement in this respect.

The Pacific Mutual Life has not yet decided upon its dividend scale for 1921.

Hasn't Changed for Ten Years

The Wisconsin Life of Madison is continuing the same dividend scale for 1921 which has obtained without interruption for ten years.

The Central Life of Iowa will not decide upon its dividend scale for 1921 until some time after the first of the year.

The Cedar Rapids Life will continue its 1920 dividend scale in 1921. The company's policies now provide for the payment of 3½ percent interest on funds left with the company.

The Bankers Life of Lincoln has not yet made up its 1921 dividend scale. It has increased the rate of interest at which funds may be left with the company to accumulate from 3 percent to 4 percent.

May Change Dividend Year

The West Coast Life of San Francisco is contemplating changing its dividend year from April 1 to June 1 in order to have time to analyze properly the previous year's experience.

The Central Life of Ottawa, Ill., will continue its present dividend scale during 1921.

The Inter-Mountain Life of Salt Lake City, Utah, will continue the same dividend schedule during 1921 that it has used in 1920.

The Security Mutual Life of Lincoln, Neb., will decide within the next few weeks what it will do with reference to dividends for 1921.

Plans Increase Next Year

The Standard Life of Decatur will continue its present scale for 1921. The scale is a reduced one which was put into effect after the losses due to the influenza and the company feels that conditions are still such that it is not yet warranted in returning to its old scale, but it believes that next year it will either return to the old scale or at least make an increase over the present year.

Register Life Stands Pat

The directors of the Register Life of Davenport have approved the 1920 dividend scale for the year 1921 and there will therefore be no change.

The Postal Life of New York has not yet taken action with reference to dividends for 1921.

The Security Mutual of Binghamton will continue its present dividend scale to May 31, 1921, which is the end of the dividend year. No action has yet been taken with regard to its dividend scale for the year beginning June 1, 1921.

The Capitol Life of Denver has not as yet made any arrangements in connection with dividends for 1921. Its dividends were discontinued for the fiscal year ending March 1, 1921.

The Clover Leaf Life & Casualty of Jacksonville, Ill., has not yet decided what dividend scale it will use in 1921.

Ohio National's Meetings

Secretary and Agency Manager T. W. Appleby of the Ohio National Life last week held snappy agency meetings at Toledo and Cleveland and on Dec. 10 will hold a Michigan agency meet at the state headquarters in Lansing. This meeting will be held at the same time as that of the Lansing Life Underwriters' Association, at which Mr. Appleby will be the speaker. A great time is expected as State Agent Glasbrook has just returned from the upper peninsula, where he and one of his men, Mr. Simmons, bagged a bear and bear meat will be the piece de resistance at the banquet.

Manager Appleby is holding these sectional meetings on the theory that agents need to take a new viewpoint because of the changed conditions in the field. He feels that although there has been a big drop in prices salesmen have nothing to complain of as prices are higher and business is better than it was before the war. In other words, the return to normalcy means a return to a permanently higher standard than prevailed in pre-war time. Farmers, retail dealers, business men generally and wage earners are all better off financially than they were before the war and these conditions will continue.

The newly organized Mountain States Life of Denver has entered Utah, with E. L. Kingsbury of Salt Lake City as general agent for the state.

TREASURY DEPARTMENT GIVES WAR RISK DATA

Work of Insurance Bureau Reviewed at Length in Secretary's Annual Report

FOUR BILLION IN FORCE

Term Premiums Insufficient to Cover Liabilities—Transfer of Bureau Recommended

WASHINGTON, D. C., Dec. 8.—The annual report of the secretary of the treasury, just issued, throws additional light on the operation of government insurance and presents a clearer view of the work being done than could be gleaned from the various fragmentary and scattering reports coming from the Bureau of War Risk Insurance in the course of the year.

The report shows that during the year 152,979 applications for converted insurance were approved for an aggregate of $511,821,500. Premium payments aggregated $10,047,463.61. Liberty bonds aggregating $19,921,100 were held on Nov. 15, 1920, as investments for the United States government life insurance fund.

Summary of Insurance Operations

The bureau has written 4,631,993 war-risk term policies covering insurance to the amount (including some duplicate applications) of $40,284,892,500. The gross premium remittances on war-risk term policies from all sources approximate $298,864,307.07; 128,300 claims for insurance on account of death are represented by insurance to the amount of $1,141,818,133.48, while 3,257 claims for insurance on account of permanent and total disability involve insurance to the amount of $28,536,540. In June, 1920, the total disbursements on insurance claims amounted to $7,670,084.56.

In spite of efforts to reach all of the more than 4,000,000 discharged soldiers, sailors and marines, to advise them of their insurance rights and privileges under the war-risk insurance act and the steps necessary to reinstate or convert their original insurance, the war-risk term insurance in force June 30, 1920, amounted to $3,472,624,000. The United States government life insurance (converted policy) in force on the same date amounted to $511,821,500, making an approximate total liability of $3,984,445,500.

Original Amount Remote Liability

The report says further:

"With the exception of those whose health will not permit reinstatement under the regulations, the total original amount of war-risk term insurance, approximately $40,284,892,500 on June 30, 1920, may be regarded as a remote potential liability. It can scarcely be regarded as a probable or prospective liability. The ex-service men and women are reinstating their insurance at the rate of approximately $100,000,000 a month. If reinstatements continue at this rate, and should ex-service men and women be allowed the privilege of reinstating during the next five years, there would be, in addition to the present war-risk term insurance of $3,472,624,000, approximately $6,000,000,000, making a total of about $9,472,624,000.

"The average policy of United States government life insurance (converted term insurance) amounts to $3,345.70. Assuming that reinstatements of term insurance and conversions thereof will continue at the present rate, the amount of permanent United States government life insurance in force at the ex-

(CONTINUED ON PAGE 29)

STABILIZING EFFECT IS PLAINLY SHOWN

What Life Insurance Is Doing for Mankind Through Its Influence

GREAT BENEFIT IS SEEN

People Are Appreciating More and More the Value of This Wonderful Institution

LIFE INSURANCE IS A STABILIZING INFLUENCE
On the individual,
On the family,
On business,
On the community,
On the state and nation.

President George I. Cochran of the Pacific Mutual Life, in his address before the Life Presidents Association this week, spoke on the subject "The Primary Purpose of Life Insurance." He showed its stabilizing effect on the nation. He said in part:

As the primary purpose of life insurance is protection for the insured's family or other dependents, for his business, and for his own old age, the companies have consistently kept two objects constantly in view:

1. The adaptation of the policy in amount and in the manner of premium payments to the insured's convenience and ability to pay. As a result, policies are available bearing amounts from a few dollars up to hundreds of thousands, and even millions, and premium payments may be made weekly, monthly, quarterly, semi-annually, annually, or in one sum, according to the requirements of the policy.

2. The payment of the proceeds of the policy in such manner as to most fully continue the protection which the insured gave to his dependents during his own lifetime.

Provision for Payment

All companies now provide for the payment of the policy in one sum or installments—monthly, quarterly, semi-annually, annually, and for a fixed period of years, or for the life of the beneficiary. The elasticity of policy contracts because of these two features, to which might be added a third feature, or provision for permanent and total disability, greatly enhances the stabilizing value of life insurance. Moreover, there are but few people nowadays, regardless of occupation and whether or not they are standard or substandard, who cannot get some kind of life insurance to cover their need for protection.

This topic involves the question whether insurance has a stabilizing effect upon the individual and the nation, and it will be readily admitted by any thoughtful person that this must necessarily be the case. It seems almost superfluous to attempt to demonstrate such an obvious proposition.

Influence on the Individual

The stabilizing influence of life insurance upon the individual may be evidenced in many ways:

In a material way, it helps to form systematic habits. It necessitates the creation of a family budget so that the premium shall be provided for.

It means punctuality, because the premium has to be paid on time or the insurance is placed in jeopardy.

It conduces to efficiency, because the insured is able to devote himself to his daily tasks without fear of the future.

It means thrift, because the insurance increases in value from time to time, and is one of the best mediums for saving and forehanded provision must be made for this expense.

It adds to the credit of the insured, because if his earning capacity ceases a fund is provided to take care of himself and his family and other obligations, and it enables the insured to create an estate for himself, which he probably could not otherwise do.

The moral effect upon the individual gives him self-confidence.

He feels that he is doing his duty to his family and those depending upon him by arranging for their care and comfort in case his aid is withdrawn, and for himself in case of his own old age or disability.

He goes about his daily work with more buoyancy and self-satisfaction than he otherwise could.

Influence on the Family

Life insurance is also a stabilizing influence upon the family. During the life of the insured it promotes a feeling of security and contentment and after the death of the insured it guarantees the independence of the beneficiaries, their proper education, and preserves the integrity of the family.

From a moral standpoint, the influence is good; the home is preserved and the children are reared with proper surroundings, rather than forced to earn a livelihood and to find shelter under conditions which would be detrimental. It so often happens that those who do not have suitable home environment ultimately degenerate into a life of crime or uselessness.

Provides for Education

From an educational standpoint, the home being preserved, the children are able to receive the necessary education, thereby preparing them for the lives of useful citizens. Even in cases where the head of the family is not taken away, through the medium of life insurance funds are created to provide for the college education of the children, or for a vocational training.

Above all, life insurance creates a feeling of security and confidence to be able to meet whatever the future has in store, which relieves the individual of a great deal of worry and makes him more capable in the performance of his life work; and thus promotes longevity.

Influence on Business

Life insurance also has a stabilizing influence upon business. Through the medium of life insurance the continuity of business is insured, the character of the business is elevated, and its credit placed upon a sound and permanent basis. It begets confidence in all concerned, and is conducive to better work and service.

Life insurance has also a stabilizing influence upon the community. It prevents pauperism, it promotes the maintenance of the accustomed standards of living, and is conducive to habits of thrift.

Influence on the Nation

And, finally, life insurance has also a stabilizing influence upon the state and nation. The stability of any government consists largely in the contentment of the masses. The home is the unit from which all community life radiates. Any agency which creates a mental or moral uplift in the home is a powerful factor towards the stabilization of the nation. It improves citizenship. The insured having a stake in the prosperity and security of the nation feels a greater responsibility and takes a greater interest in the duties of a citizen. He watches and criticises the civic budget and the acts of public officials, and takes an added interest in sound and proper legislation.

As I have stated, insurance preserves the integrity of families. It keeps them together after the head of the family has passed away, or when for any reason he is unable to provide for them; it maintains the continuity of business by providing funds to tide over the loss of the insured; and in many ways brightens the prosperity of the community. It relieves the community of certain financial burdens for the maintenance of the aged and the orphaned and invalids and dependents.

Distribution of Benefits

If the large sums of money distributed as life insurance benefits were to be suddenly withdrawn or stopped the condition of society would almost border on a panic, and possibly result in the wreck of community life. There is no other agency which so scientifically provides for the general distribution of benefits to the needy. The benefits to the individual himself, to his family and dependents, to the community life, to business interests, and to the nation at large are so great, so helpful and so universal that it is almost beyond the power of language to portray them properly.

President Cochran in getting life insurance statistics as to new business for 1920 secured information from 153 companies that wrote 96½ per cent of the total 1919 business. Last year these companies wrote $8,024,000,000. This year these companies will write $9,700,000,000, or 21.06 per cent gain. The 266 American companies last year wrote $8,314,000,000. This year Mr. Cochran estimates they will produce $10,000,000,000.

Need to Practice Thrift

It might be of interest to consider whether the benefits of life insurance are being availed of by the American people. The President of the United States recently advised the nation to practice thrift. Heads of great commercial enterprises are advising their patrons and employes to think and practice thrift. Life companies are urging thrift in the purchase of life insurance. Last year the insurance world discussed with unconcealed amazement the tremendous increase in new life insurance bought by the American poeple, analyzed it and sought to understand the reasons for it. This year we are more than surprised to find a still further increased volume of new business. Last year, which vastly exceeded previous records in volume of new life insurance, was the biggest year in extravagance and the people seemed to go the limit in almost profligate individual expenditure. This year, being one of thrift and retrenchment, it was hardly expected that the large volume of life insurance business would be kept up.

During the earlier months of this year, a canvass of the situation disclosed new business in larger volume than in 1919. By mid-year, however, it was manifest that the process of deflation was making itself felt in most lines of business. The question then naturally arose as to the extent to which the business of life insurance would be affected by this curtailment.

Figures for This Year

Again recourse was had by the association to the good offices of the companies for statistics to answer this question. One hundred and fifty-three companies, whose volume of new business for 1919 comprises 96½ percent of the total for 266 companies as recorded in the Blue Book, have contributed their 1920 statistics. Actual figures were available for the first ten months of the year. The figures for the two final months were estimated by each company. The resultant estimate for the year shows a probable aggregate of new business by these 153 companies amounting to $9,700,000,000, as against $8,024,000,000 actually produced by them in 1919. This indicates an estimated increase of 21.06 percent for 1920 over 1919. Application of the same ratio of increase to the Blue Book totals for 1919 gives an estimated total of new insurance for 1920, by all American companies, aggregating $10,066,000,000, as against $8,314,000,000 for 1919, the year of extravagance. Thus we find the people of the United States buying $1,750,000,000 more new life insurance in 1920 than they did in 1919, notwithstanding their entry upon an era of retrenchment.

DECLARES INSURANCE IS CLASSED AS ART

General Counsel BroSmith of Travelers Addresses Life Presidents Association

TELLS OF ACHIEVEMENTS

Shows How the Companies Have Contributed in Many Ways to Mankind's Well Being

William BroSmith, general counsel of the Travelers, spoke before the Life Presidents' Association this week on "Life Insurance—Art or Science?" He reaches the conclusion that insurance should be classed with the arts. Mr. BroSmith said:

According to the word of law, both statutory and juridical, insurance is a business and so closely allied to public interests that as a business it is subject to governmental supervision and regulation. But the declarations of legislatures and courts are not to be taken literally, always. If, therefore, we were to assume this definition to be final as well as comprehensive, we might be admonished that there is a synonymous relation between art and business and that neither of the law-making powers intended to exclude all idea of art from insurance or to imply that there was not science of some kind associated with the business.

Great Modern Institution

In order to observe linguistic precision, we should stand with those who insist that scientifically insurance is an art, but if we accept the dicta of the law makers whether with or without the qualifications and implications suggested, we may wound the pride of those who follow the art as a profession but we will not work serious harm to insurance in any of its departments. Insurance will still lead the creations of financial, industrial and commercial life and even under the humbler title will stand before the world as one of the greatest institutions of modern times and that one upon which all commerce, business and industry must depend for support and protection.

Passed Through Conjecture Stage

The title under which I am writing does not afford an opportunity to consider certain features of insurance and the achievements and activities of insurance companies from the point of view of an art developed under scientific rules and precepts and operated under the direction and control of those who have been trained to expertness in the branches of science most closely related to insurance, mathematics, medicine and the law. Aided by these sciences, insurance has passed through the stage of conjecture, surmise, speculation and wild experiment to what Walford calls the period of

scientific exactitude and to what we know to be its present position of commanding influence.

Crude Beginnings

With our present knowledge of the kinds of insurance protection and of the precise and exact methods followed in all insurance offices, it is hard to realize that there was a time when conditions were otherwise. It sounds incredible to say that there was a time when a number of directors seated around a table in a board room would convert applicants into policyholders upon a brief personal observation or upon the recommendations of friends. Yet history records this as a fact. So, too, it is not easy to comprehend the mental attitude of those who projected insurance companies, confident as to success, but without any conception of the operations and results of mortality or of the necessity for reserves to protect against the certain liabilities to be assumed. Crude indeed were the beginnings and equally crude were the practices which were followed almost to the commencement of the period mentioned but behind all were the motive and the aim, even when the operations were of the rawest, to protect against the loss which results to the individual and to society from death or from the destruction of property. Upon these have been built up in time the principles and correct practices which have developed and perfected insurance into an art and converted the aim into an accomplishment.

Creation of Trust Agreement

When the affairs of insurance were so adjusted and perfected that individual lives might be insured so as to meet all reasonably possible conditions and family and business relations, there was impressed upon the companies which deal with insurances upon lives the necessity for the creation of a trust relation with policyholders and beneficiaries, under which the company would serve as the trustee after termination of the relation as an insurer.

Group Policies

Until very recently life underwriters were content to care for the insurances upon individual lives and give some attention to contracts which would protect two and possibly three lives for the benefit principally of the survivors or survivor. Now they are confronted with the demand for insurances which will cover large groups of lives. Here again, the investigations and studies are being made to the end that these group and collective forms of insurance may be furnished under rules and methods scientifically applied.

Ever since about the year 1888 casualty companies in this country have been issuing policies under which all of the employees of an industry or business have been covered under insurances intended to protect the employer against the liability for injuries sustained by the employees. Since 1911 these companies have been issuing policies which protect the employer against the liability imposed by compensation laws and which also insure the injured employee the compensation provided by such laws. The practicability of insuring large numbers of persons under one contract undoubtedly influenced, if it did not suggest, the demand for life insurances upon groups. The example and experience of the casualty companies may ultimately influence the methods of ascertaining premium rates and computing reserves for group life insurances.

Casualty Insurance Plan

In a paper upon the theory of experience rating presented by Albert W. Whitney, manager of the National Workmen's Compensation Service bureau, at a meeting of the Casualty, Actuarial and Statistical Society of America, it is explained that in workmen's compensation insurance some kinds of liability insurance, group insurance and possibly a few other types of insurance, the risk insured and upon which a rate must be produced affords an experience of its own. That is, the contingencies insured against are of sufficiently frequent occurrence so that the risk itself produces an experience having some evidential value. In such cases there is therefore both a class experience and a risk experience. My suggestion in this connection therefore is not original but is presented for consideration with greater confidence because of the fact that its applicability to group insurance has occurred to Mr. Whitney and to others who have devoted years of study to the preparation of the plans now in use in experience rating in compensation and other forms of insurance. Another good reason for referring to the payroll premium basis and experience rating is that they furnish collateral support to the contentions which I am expected to maintain.

WILIAM BROSMITH
General Counsel Travelers

Insurance Not Sufficiently Recognized

So much has been written and said by the advocates of social insurance in the endeavor to secure legislative mandates which will make sickness insurance and other parts of the social insurance scheme compulsory that the excellent service of insurance companies for the conservation of life and limb and the improvement of living conditions which must tend to longer and better lives has been neither sufficiently recognized nor adequately appreciated.

A few years ago it would not have been considered a proper function for insurance companies to go beyond the direct purpose for which they were incorporated and to undertake a public service of this character. It does not detract at all from the value of the service that incidentally the insurance companies will profit by the improvement of health and the extension of life through such activities.

Roosevelt Life's Plan

The Roosevelt Life, now under process of organization at St. Joseph, Mo., is being formed on the same basis as the Omaha Life, the Liberty Life and several other new companies recently organized or now in process of organization in the middle west. It proposes to sell 2,500 policies of $5,000 each, each policyholder to subscribe for five shares of stock, giving his note for $100 to be paid out of the dividends on the policy. The policies are given a graded death benefit, $1,000 the first year, $3,000 the second and $5,000 thereafter

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Eli A. Schweiger, agent for the New York Life, has been elected a director of the newly organized Association of Commerce of Jefferson, Wis.

Policy Claims Discussed as a Moral Test of Life Insurance

BY WILLIAM J. TULLY

What is the attitude of life companies on payment of death claims? William J. Tully, secretary of the Association Life Insurance Counsel and general solicitor of the Metropolitan Life, in this address before the Life Presidents at their meeting in New York this week on "Policy Claims—a Moral Test of Life Insurance," give statistics on the experience of 164 companies, representing 95 percent of the total outstanding insurance in the United States, in regard to the liberality and promptness with which claims were handled, and declared that these figures proved that the companies can fairly claim to meet that test with a marking of 100 percent.

SO far as I have been able to ascertain from an examination of the programs of the annual conventions of this association, the American Life Convention and the Association of Life Insurance Counsel, it would appear that papers have been presented dealing with the business of life insurance as viewed from almost every possible angle except the treatment of life insurance contracts when they become death claims. I can well understand that this subject may not possess a very considerable degree of interest to life insurance executives in such a meeting as this, but I can think of no other phase of the business which can be of greater interest to, or more readily understood by the millions of policyholders and perhaps by those who have yet to take out their first life insurance policy. On more than one occasion, in discussing with an outsider the magnitude of the business of the company with which I have the honor to be associated, and after reciting the very large number of death claims presented, I have been met with the statement, "That is very interesting, but what do you do with those claims? How many of them do you pay, and how long does it take you to do it?" It seems to me that such a question is thing about it all is that a word of protest against this supervision is seldom made by any company. So far as policy claims are concerned this supervision is thoroughly desirable. It will happen that no matter how anxious a company may be to do exact justice, the policyholder or his representative will sometimes be distrustful and dissatisfied. A complaint to the state superintendent or commissioner follows. The company presents its theory of the case and is upheld or overruled as the case may be. In either event an adjustment is had which very frequently avoids dissatisfaction and litigation.

Handling Claims Simple Matter

The handling of the average death claim after it reaches the home office is a very simple matter. In the great majority of cases the cause of death is clear and not at all suspicious. In these cases the only question remaining is, to whom the proceeds of the policy should be paid. There either is or is not a designated beneficiary. If there is a designated beneficiary we need to satisfy ourselves only that the beneficiary survives the insured and that there has been no change or assignment. If there is no designated beneficiary, then we have to deal with the duly authorized executor or administrator or other representative of the insured or estate. If facts develop that call for investigation, this, too, is made easy by the trained staff of home office inspectors maintained by the larger companies, or by the bureaus established for such purposes in the principal cities of the country.

Procedure in Home Office

The method of handling death claims in home offices is not at all uniform, but the result obtained is quite the same in every company. It is interesting to note how the procedure of passing on the claims and the responsibility for acting upon them varies. Naturally this observation has more to do with the large companies than with the small ones. Every company of course has its claim department which might in a legal sense be termed the court of original jurisdiction. But the appellate jurisdiction varies widely. In the large companies one of two systems prevails. Either the final decision to pay or to reject a claim rests with a committee made up of the head of the claim division and certain executive officers, or the practice of individual responsibility is observed. In some companies the law division is consulted before a claim is finally rejected. In others, the first knowledge that the law divisions has of a rejected claim is the reference to it of a summons and complaint. In my judgment, payment of a death claim should not be refused until the legal department of the company has an opportunity to review the facts. Where a claim is rejected it is fair to assume that action to enforce its payment will follow. The company's defense is primarily in the hands of its home office counsel who, is seems to me, is fairly entitled to determine, and before final action on the claim is had, whether or

(CONTINUED ON PAGE 18)

a perfectly natural one. In the technical side of life insurance the public has comparatively little interest; but the percentage of those paid, and the time within which death claims are disposed of must hold a great interest for the public at large.

At the outset it is obvious that the handling of death claims is very different now than what it was in the early development of the business in this country. The change in the method of organization, if nothing else, would have its influence. A half century ago large numbers of companies were organized on the stock basis and for the perfectly honest purpose of making money. It naturally followed that death claims were closely scrutinized, largely to ascertain if there was any ground upon which they could be rejected.

It is not only in the treatment of death claims that the attitude of the company towards the policyholder or his representative has been greatly liberalized. Formerly the policy contract was closely drawn and strictly construed and in favor of the company. The concessions and alternatives conceded to the policyholder were few and unimportant. He could take his contract or leave it, as he chose. A paid-up policy was more or less of a rarity and a policy loan something grudgingly made if at all. A surrender value was paid only in rare instances. What a contrast is offered by every company in contracts today!

Supervision Found Desirable

Life insurance is today regarded as the great if not the greatest public business. The public is as deeply interested if not more so than in any utility organized and operated for their benefit. No business is more closely supervised by government, and the fine

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Use of Association Label

Much interest is being taken at the suggestion that was made by the executive committee of the Chicago Life Underwriters Association and which has been adopted whereby the association will provide a sticker to be used by the members and attached to the outside of all policies that they personally secure. It is neatly printed and reads:

"This policy is written by a member of the Chicago Life Underwriters Association."

The sticker can be used only on policies personally secured by a member. A general agent will not be allowed to distribute these stickers to any but members of the association. The purpose of course is to popularize the association so that the public will demand that a member of the association negotiate the insurance.

It is a very clever move to make the association an effective institution in the community. Many who have given the subject thought say that the Chicago association has struck a very important device to increase its membership and to make the association worth while. The sticker in time should be a guarantee to the holder of the policy that it is written by a man well equipped for his work and that the policy is placed in a reputable company.

More Liberal Toward Women

The last five years have made a decided change in the attitude of the life companies in insuring women. Today there is practically no discrimination against women in the matter of rates and with few exceptions they are offered all the policies and service that are extended to the men. There are some companies that will not write term or income policies for women. One company does not write women unless the husband is also insured by the company, but for the most part the discrimination and prejudice of a few years ago have vanished.

Today there is a decided tendency to encourage the insuring of women. Some agencies have established a separate department for women. They have proceeded on the theory that women are best qualified to deal with women and hence have a woman in charge of the work, with women agents and physicians.

Generally speaking, there are three classes of insurable women: professional, business and housewives. Today there are far more business and professional women who are taking out policies. Generally they take good-sized policies. As a rule they are financially independent and desire to save. They may have some one dependent upon them whom they wish to protect. There is also a tendency to insure young married women as a protection to the husband in case of death. There are not many women who take out insurance for investment purposes alone.

Life agents are quite agreed that as the discrimination against women is removed, a wide and valuable field is opened. Those qualified to judge are especially optimistic because they say that women are better savers than men, less apt to allow a policy to lapse.

Avoid Competitive Cases

When a life man finds that another salesman has been talking to a prospect and has just about closed the case or even developed it fairly well, it is best for every one concerned to pass up the prospect, and to move on to some one else that has not been talking insurance to another salesman. It is not a question of ethics, but one of common sense. It simply does not pay to try to close a man whose interest in life insurance has been created and developed by some one else. When such a case is closed it causes a break between the competing agents and leaves the policyholder with a feeling of uncertainty in his mind. The keen competition that is stirred up, only confuses the prospect and does anything but strengthen his faith in life insurance.

The prospect that the agent finds, interests and sells without competition, makes the best policyholder. He is sold right. He believes in life insurance. He has not been bothered with competitive arguments. He can be sold additional insurance when he is financially able to buy more. He is tied up to his life insurance agent in the right way. Over a period of time any life insurance salesman will discover that competitive cases do not pay. The time spent in digging out comparisons, in finding the weaknesses of the competing agent's company, and in caustic arguments when used in finding and developing new prospects pays much larger dividends, to say nothing of the doubts to life insurance as a whole which such arguments may raise.

PERSONAL GLIMPSES OF LIFE UNDERWRITERS

Ralph E. Perry, who joined the office forces of the Northwestern Mutual Life in Milwaukee in 1904, has been appointed assistant secretary of the company. Mr. Perry is a native of Milwaukee, born Jan. 7, 1883. He has been continuously employed in the secretary's department since joining the Northwestern Mutual Life, and was admitted to the Wisconsin bar in July, 1919.

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Augustus C. Remmel, 38, chairman of the Republican state central committee of Arkansas and assistant manager of the Mutual Life at Little Rock, died at his home there Dec. 3 after a brief illness of hemorrhagic malarial fever. Mr. Remmel was a native of Fort Wayne, Ind., and had lived in Little Rock for 20 years. He was a delegate from Arkansas to the Republican national conventions of 1916 and 1920 and had been state central committee chairman since 1916. He was Republican nominee for congress from this district in 1912.

Mr. Remmel became ill about three weeks ago, but had been at his office several times since, as he considered his illness only of minor nature. A severe relapse occurred earlier in the week and Thursday night he fell into a coma, dying 22 hours later without regaining consciousness.

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Albert Bettinger, president of the Ohio National Life, who is one of Cincinnati's leading attorneys and representative citizens, has been elected president of the Ohio Valley Improvement Association succeeding Col. John L. Vance of Columbus, who retires after an honored service of 25 years. Mr. Bettinger has during nearly his entire business life been greatly interested in and intimately associated with the project of the improvement of the Ohio River and the establishment by means of a series of dams of a nine-foot stage of water all the year round from Pittsburgh to Cairo. The Ohio Valley Improvement Association has been one of the chief backers of the plan and a number of dams have been built and many millions of dollars already spent by Congress. Mr. Bettinger is one of a body of public-spirited citizens who have stood by the project thick and thin. He is succeeded as vice-president by Edwin C. Gibbs, president of the Cincinnati Chamber of Commerce, now retired, formerly of the well-known fire insurance firm of Neare, Gibbs & Lent.

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Ben F. Hadley of the Equitable Life of Iowa, who was in Chicago last week installing his new general agent, U. C. Upjohn, who has resigned as assistant general agent of the Penn Mutual, gave a luncheon in his honor. Mr. Upjohn will not entirely disconnect himself from the Penn Mutual office until Jan. 1, although he will give part of his time to the Equitable of Iowa's office, 76 West Monroe street, Chicago. Among the guests at the luncheon were William Franklin Crawford and A. R. Crawford, the other general agents of the Equitable in Chicago. Mr. Upjohn is regarded as one of the most successful life insurance men in the city.

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The New York Life features two of its well known inspectors of agencies, **Geo. W. Long** and **R. E. Whitney,** in the agency bulletin. Mr. Long is dean of the inspectors in point of company service. He has charge of the Atlantic department. He began as a clerk in the company's office at Philadelphia, in January, 1883. Later he became chief accountant in the Philadelphia office and then cashier. In January, 1902, he was appointed agency director of the Independence branch in Philadelphia. In Jan., 1904, he was made supervisor of the Atlantic department and in June, 1905, was made inspector of agencies of the department. The territory under his supervision produced $8,508,967 in 1910 and during the first 10 months of this year produced $33,523,186.

Robert E. Whitney of Chicago, inspector of agencies of the Central department, went with the New York Life about 10 months later than Mr. Long. He is a son of the late Charles C. Whitney, for many years secretary of the company. He has spent his entire business career with the New York Life. He started as a clerk in the home office in October, 1883. In 1890 he was appointed cashier of the Seaboard branch in New York City. In 1892 he became branch manager. In 1900 he was appointed inspector of agencies for China and Japan and lived several years in the Orient. Owing to the death of his wife he had to return to this country and was made agency director at Denver. Then two years later he became supervisor of the Central department of Chicago and in May, 1907 was made inspector of agencies of the department. In 1910, the territory under Mr. Whitney's supervision produced $14,314,249 insurance. In 10 months of the current year the same territory paid for $69,232,408.

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Platt Whitman, state insurance commissioner of Wisconsin, has been appointed a member of a commission to prepare plans for a pension system and funds for employes of the state

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President **Orville Thorp** of the National Life Underwriters Association is in New York attending a conference of the executive officers of the association. He is killing two birds with one stone as he is attending the annual meeting of the Life Presidents Association.

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Ability to go out and get them was what made **C. D. Rodman,** general agent for the Northwestern Mutual, at Louisville, Ky., a crack solicitor. He is proving that he still has the ability in connection with a membership drive of the Exchange Club of Louisville, Mr. Rodman holding the record for turning in applications for membership, he having turned in six, three coming last week, this putting him well out in the lead.

"I'M FEELING FINE"

There ain't no use in kickin', friend,
  Wnen things don't come your way.
It does no good to holler 'round
  And grumble night an' day.
The thing to do is curb your grief,
  Cut out yer little whine;
And when they ask you how you are,
  Jest say, "I'm feelin' fine."

There ain't no man alive but what is
  Booked to get his slap;
There ain't no man that walks but what
  From trouble gets his rap.
Go mingle with the bunch, old boy,
  Where all the bright lights shine,
And when they ask you how you are,
  Jest say, "I'm feelin' fine."

Your heart may jest be bustin' with some
  Real or fancied woe,
But when you smile the other folks
  Ain't really apt to know.
The old world laughs at heartaches, friend,
  Be they your own or mine.
So when they ask you how you are,
  Jest say, "I'm feelin' fine."
  —Convict No. 67070, Sing Sing Prison.

Progress of Amicable Life

The Amicable Life of Waco, Tex., is making good progress under the direction of President A. R. Wilson. This company will show a gain of insurance in force of over $2,500,000 for this year.

In view of the fact that for the past few years this company had written hardly any new business and therefore had no agency force, an entirely new organization had to be built up within the past year. The directors and stockholders are well pleased with the progress being made.

EQUITABLE PLAN OFFERED FOR INSURANCE TAXATION

(CONTINUED FROM PAGE 7)

be made are adjusted according to the ages of the contributors and the wife of each member receives a fixed amount at the death of the contributor whenever it occurs. Wherein then is the justification for the tax?

Requires Larger Insurance

Life insurance provides .the only known means of making provision for the payment of an estate tax without the sacrifice of a part of the estate. The inclusion of life insurance in the estate tax requires a larger amount of insurance that would otherwise be necessary and thereby indirectly increases the tax burden.

Of all foolish attempts at taxation there is none more foolish than the attempt to tax life insurance companies upon the basis of war excess profits. It is enough to say that the matter is now in litigation, and that the outcome can be awaited by the companies with reasonable confidence.

Trouble with Income Tax Law

The income tax law, as applied to life insurance companies, has proved very unsatisfactory to the companies and also, I believe, to the treasury department. No other outcome could be expected as the result of an effort to apply to a highly technical business the rules applicable to ordinary commercial enterprises. The treasury department has been handicapped by its failure to have on its permanent staff someone conversant with life insurance principles. Constant disagreements between the department and the companies have resulted therefrom. In their desire to avoid litigation the companies have submitted to many demands which from their point of view were unfair. Where certain definite principles involving large amounts of tax were involved the companies in the fulfillment of the duty which they owe to their policyholders have resisted the demands of the treasury department, and have been forced at great expense to try to establish in the courts the correctness of their position. These efforts have been remarkably successful. I am not at all disposed to criticise the government for its insistment upon a determination by the courts of the questions which were fairly in dispute. No other course was reasonably open to it, but in my opinion it is criticisable for its sometime unwillingness to recognize generally the principles established by the courts in the case of individual companies. This has entailed much unnecessary and expensive litigation. After an experience of eleven years, during which the companies have been taxed upon their supposed net income, there are still many matters in dispute.

Fails to Meet Criteria

The income tax law applied to life insurance companies fails to meet some of the most important criteria of sound methods of taxation. It does not bear equally upon different companies. It does not provide any certainty of income to the government. The amount of tax is not easily determinable, and when determined it is not, as implied, a tax on net income. The tax is collected only at heavy expense to the government and to the companies.

It is not at all clear that in so far as life insurance companies are concerned the present law meets the constitutional requirements.

The sixteenth amendment does not leave congress free to determine what is and what is not income. Congress cannot declare that to be income which is not income. Are the premiums paid to a mutual life insurance company income in the sense in which that word is used in the sixteenth amendment?

Status of Mutual Company

A mutual life insurance company is a corporation, the members of which are those insured in and with the corporation. There are no other members. The policies held by them are the evidences of their membership and of their interest in the corporation. The cash which they pay therefor is as much actual cash capital paid in as is the cash paid into an ordinary stock corporation by the members thereof for their certificates of stock. There is a dual relationship between the member of the insurance company and the company, in that he is a member of the corporation also a contractor with it. What he pays into the corporation he pays under his contract. He enters into the contract for the purpose of becoming a member and the contract is necessary if he is to be a member. This situation is fundamental with a mutual life insurance company. A local building and loan association, like a mutual life insurance company, deals only with its own members, but no one would deny that the cash paid in by the members was a part of the association's capital. True, the premiums paid under a contract of life insurance are the consideration for the contract, but it does not follow that such premiums are income within the meaning of the sixteenth amendment.

No Taxable Income

An examination of the returns made by one large life insurance company under the corporation tax act and under the income tax act shows conclusively that in every year there was no taxable income arising from premiums after charging against the premiums the insurance expenses, payments on policy contracts and so much of the premiums as was required for the net addition to the policy reserve. To illustrate, in 1919 the premiums amounted to $38,314,279, the insurance expenses were $6,456,941, payments on policies amounted to $23,869,173 and $10,962,706 of the premiums was required for the net addition to the reserve. These three items aggregated $41,288,820, or $2,974,541 in excess of the premiums. The interest income not exempt, was $12,022,951. The investment expenses were $568,004. Losses arising from the sale or maturity of assets amounted to $109,029. Depreciation amounted to $57,142 and interest paid upon obligations incurred in the purchase by subscription of Liberty Loan Bonds amounted to $463,418. The interest required to maintain the reserve amounted to $7,148,172. The total charges against the interest income amounted to $8,345,765, and left an excess of interest income amounting to $3,677,186.

Important Part of Interest Earnings

It may fairly be presumed that an analysis of the returns of other companies would show the same result. It would be rather surprising if such were not the case. The analysis shows in a very striking manner the very important part which interest earnings play in the transaction of the business, and the necessity for conserving such interest earnings. The analysis serves also, I think, to demonstrate that premiums are not in any true sense a part of the income. The premiums are really the capital contributions of the associated members of a life insurance company for the purpose of carrying on their joint venture. Such capital contributions are augmented by the interest earnings thereon, and it is such interest earnings which make the venture successful. The analysis serves further to demonstrate the fallacy of the popular view that life insurance is a business of profit, but this is not the

time or place for a discussion of that phase of the business.

Three Substitutes Suggested

Three suggestions have been made for a substitute for the present income tax. One is a direct tax on premiums. This has the single merit of simplicity. A very serious objection is that the burden would be very unevenly distributed, and it would fall with greatest weight upon the younger and smaller companies whose interest income is small compared with the premium income. The older companies with many policies carrying high reserves naturally have a much larger proportionate interest income than the young companies. Furthermore the older companies have upon their books a great many paid-up policies from which a large interest income is derived, but no premium income. The young companies have very few such policies. A premium tax would also bear heavily upon industrial insurance. Moreover, a premium tax is essentially an excise or franchise tax.

Taxing Insurance Issued

The second suggestion is that the tax be laid upon the amount of insurance issued. This also has the merit of simplicity. Otherwise, it is not worthy of consideration. It would place the entire burden upon new policyholders, and the greatest sufferers would be those insured under the cheaper plans. The younger and smaller companies would be seriously disadvantaged compared with the older and larger companies. This would also be true of companies doing business on the non-participating plan compared with those doing business on the mutual plan. The plan would greatly increase the cost of industrial insurance. Like the first suggestion it is an excise or franchise tax.

The third suggestion is that the tax be laid upon the free interest income. This would provide a true income tax upon the only real source of income which life insurance companies have. The plan first found official recognition when the revenue law of 1918 was under consideration. It was then recommended to the United States senate by the senate finance committee. The recommendation of the committee was adopted by the senate but was rejected by the conference committee.

The term "gross income" was defined to mean the gross amount of income received during the taxable year from interests, dividends and rents. The term "net income" was defined to mean the gross income less (1) the amount of tax exempt interest; (2) an amount equal to the excess, if any, or 4 percent of the mean of the reserve funds required by law and held during the taxable year over the amount of tax exempt interest; (3) an amount equal to 2 per cent of any sums held at the end of the taxable year as a reserve for dividends (other than dividends payable during the year following the taxable year) payment of which is deferred for a period of not less than five years from the date of the policy contract; (4) investment expenses paid during the taxable year not exceeding one-fourth of 1 percent of the mean invested assets and (5) taxes and other expenses paid during the taxable year exclusively in connection with real estate owned by the company, not including taxes assessed against local benefits of a kind tending to increase the value of the property assessed, and not including any amount paid out for new buildings or for permanent improvements and betterments made to increase the value of any property. In the case of a domestic company there was also a specific exemption of $2,000. In the case of a foreign company the tax was to be laid upon the same proportion of the net income which the reserve fund upon business transacted within the United States is of the total reserve fund upon business transacted whether within or without the United States. The term "life insurance company" was defined to mean an insurance company engaged in the business of issuing life insurance and annuity contracts (including contracts of combined life, health and accident insurance continuing for the life of the insured and not subject to cancellation by the company) whose reserve funds held for the fulfillment of such contracts comprise more than 50 per centum of its total reserve funds.

The senate committee on finance, in its report of Dec. 6, 1918, referred to the plan as follows:

"A new basis is recommended for the taxation of life insurance companies. The tax is in form an income tax, but is imposed upon a net income defined with special reference to the peculiar conditions of the business of life insurance. Roughly, it consists of the gross income from interest, dividends, and rents less tax-free interest, investment expenses, and taxes and other expenses paid exclusively in connection with real estate owned by the company. In the case of a domestic life insurance company there is also a specific deduction of $2,000. Thus the tax falls upon the true income of the company; that is, its income from investments; and the rate is so fixed that this tax takes the place of the income tax, war excess-profits tax, capital-stock tax, and the tax on the issuance of policies. It will yield considerably more revenue than the taxes which it is designed to replace, and has the great merit of simplicity and certainty. Above all, it avoids the almost insuperable difficulty of defining the invested capital of a life insurance company for purposes of the war-excess-profits tax."

Differs from Present Law

The proposed measure differs from the present law in the following respects: Premiums are not included in gross income; but offseting this, insurance expenses, general taxes, payments on policy contracts and that part of the increase in policy reserves which arise from premium payments are not deducted from gross income. The eliminated deductions exceed in amount the eliminated income.. In computing income tax under the present law, in so far as it arises from interest, dividends and rents, the companies may deduct therefrom (1) interest on tax exempt securities; (2) interest on obligations of the United States and War Finance corporation Bonds not exempt; (3) investment losses; (4) depreciation; (5) interest paid on indebtedness; (6) dividends received from domestic corporations, not personal service corporations, and dividends upon stock of foreign corporations taxable by the United States upon any portion of their net income; (7) investment expenses and (8) interest required to maintain the policy reserve. These should all be taken into account if the plan of taxing the "free" interest income is to be carried out scientifically. Under the proposed measure only (7) and (1) and the excess of (8) over (1) were considered. Under the present law the deduction from gross income by reason of the addition to the reserve fund consists of the net premiums received during the year together with the interest required to maintain the reserve, less the tabular cost of insurance.

Interest to Maintain Reserve

Under the proposed measure the deduction from gross income by reason of the addition to the reserve fund consists only what may roughly be said to be the interest required to maintain the reserve. Such interest cannot be taxed without violating one of the most fundamental principles of the science of life insurance. Different companies use different rates of interest in computing their reserves and many companies maintain a part of their reserves upon one interest rate and another part upon another rate. For income tax purposes a uniform rate may be used without unfairness. Under the proposed measure there is also a de-

E. E. RHODES
Vice-President Mutual Benefit Life

duction from gross income of 2 percent of the deferred dividend fund. This deduction was included in order that companies having deferred dividends should not be heavily overtaxed in comparison with the annual dividend companies.

Of Advantage to Both

The senate plan was good as far as it went and was a great improvement over the present plan. It was not perfect and under the conditions which existed when it was under consideration it could not then be made perfect. With the changes which I have indidated it would provide a tax which would not violate the technical requirements of the business while the practical advantages to the government and the companies alike would be exceedingly important. Both could count with reasonable assurance upon the amount of tax to be paid. Certainty would be substituted for uncertainty, equality for inequality and simplicity for confusion. Under the present law the taxable income has fluctuated greatly from year to year and I think I am safe in saying that it has not in any year equalled the government's expectations. Under the proposed measure a very considerable tax would be collected and instead of a fluctuation from year to year a regular increase could confidently be expected. The companies could well afford to pay the increased tax in view of the savings which they would experience in time and trouble and legal expense.

Would Accept Department Valuations

Commissioner Hobbs of Massachusetts will ask the next legislature for authority to accept the valuation of the department of insurance of any other state or country in computing the reserve liability of life companies doing business in the commonwealth. Since 1858 Massachusetts has required life companies to submit the necessary data for a complete valuation of all their policies year by year. Very few states now undertake to value the policies of companies incorporated in states where a valuation is made, but accept instead a certificate of valuation from the commissioner of that state. This same authority is now asked by the Massachusetts commissioner, who states retaliatory laws along this line have laid a burden upon Massachusetts' companies that is "by no means inconsiderable."

John Hancock Agents Entertained

Dr. E. E. Flickinger, Indiana state agent of the John Hancock Mutual Life, had his agency force in Indianapolis on Wednesday of last week for the annual agency banquet. About 75 were present. Samuel Rosenburg, general agent of the company at Peoria, attended as a special guest, having received his early training in the business in the Indianapolis office.

POLICY CLAIMS DISCUSSED AS LIFE INSURANCE TEST

(CONTINUED FROM PAGE 10)

not in his opinion the company can successfully defend an action to collect the claim. This is the plan followed by the Metropolitan, where no claim is finally rejected except on the individual responsibility of the general solicitor.

Companies' Attitude Liberal

The validity of a policy having been established, examination of a death claim has to do only with the happening or occurrence of a contingency after the placing of the policy and the title of the claimant. The attitude of all companies towards the adjustment of policy claims is, I think, without exception generous and liberal in the extreme, with an earnest desire to waive all technicalities that might interfere with a prompt and equitable settlement. The good faith of the insured or the claimant or both having been determined it is only in rare instances that a company will refuse to make immediate settlement. The tendency toward uniform insurance laws throughout the several states and the provinces of Canada, particularly since the New York state investigation of 1905, has very largely simplified the mechanical process of handling death claims. It has likewise brought about radical changes in the contract provisions of companies. Only 17 states in the Union now require a policy to be paid within a period expressed by the statute. Curiously enough, the Dominion of Canada and five of its provinces require payment within either 30 or 60 days. Only 13 states provide for a penalty for delay. The Dominion government and two provinces provide a penalty. In 17 states the statute provides a penalty against fraudulent claims.

Provisions in Policy Contracts

On the other hand, the provisions contained in policy contracts for the time of payment of claims are exceedingly impressive. The policy forms of 127 companies were examined with the following result: One company requires 60 days after receipt of due proofs of death; one company, 24 hours after death and upon receipt of due proof of said death; one company, within 24 hours after receipt of due proof of death; one company, immediately upon receipt and approval of proofs of death; one company, immediately upon acceptance of satisfactory proof of death; and 122 companies, upon or immediately upon receipt of due proof of death. In view of this practically uniform rule, backed up as it is by the actual practice of companies generally, it is respectfully suggested that statutes imposing a penalty for delay should be repealed. Every company is desirous of paying death claims promptly, and without any unnecessary or vexatious delay. Where, however, a company is led to believe that a fraud has been perpetrated, it is fairly entitled to try out that qeustion without the imposition of a penalty if finally defeated in the courts. The rule in a few states of permitting the addition of a percentage of the claim and attorney's fees to the amount of the judgment is utterly wrong and in some localities leads to what really amounts to blackmail on the part of dishonest and unscrupulous attorneys. A careful review of the

WILLIAM J. TULLY
Secretary Association of Life Insurance Counsel and General Solicitor Metropolitan Life

methods employed by every company of standing amply justifies the statement that every just claim is paid almost immediately on presentation.

Comparison of Claim Statistics

Comparisons of the actual claim statistics of 164 life insurance companies in the United States for 1919 which carry 95 percent of the total outstanding insurance in American companies, warrant the conclusion that a policy of life insurance in any reputable company may be safely regarded as a sight draft upon the insuring company, payable upon proof of death. The total number of claims presented to the 164 companies during 1919 was 702,087, of which 692,655 were paid in full, a ratio, number of claims paid to total number of claims presented, of 98.66. The ratio, amount of claims paid to total amount claimed, on presented claims was 97.63, while the ratio, amount actually paid to the amount claimed, made possible by additions, was 100.09. Claims were otherwise disposed of during the year as follows: By compromise, 916; by rejection, 1,705; by abandonment, 248; by final judgment, 168; or a total of 3,037. This makes a total of 695,692 claims disposed of, which is a ratio, number of claims paid to total number of claims presented, of 99.09, and with policy additions, a ratio of amount paid to amount claimed of 99.66. At the end of the year there were 5,653 claims under investigation and only 742 in suit.

An examination of the grounds of disposition of the claims not paid in full shows the following: Insurance never effective, 137; insurance lapsed or expired, 142; fraud or misrepresentations, 2,002; misstatement of age, 58; disappearance, 70; suicide, 101; murder by beneficiary, 12; breach of policy restrictions, 73; mistake involving demand for reformation of contract; 1; prior payment, 49; rival claimants, 218; miscellaneous, 174. The amount claimed under the claims presented was $400,-610,916.35, and the amount paid was $391,917,875.17, or more than $1,000,000 for every calendar day. The total amount involved in claims disposed of but not paid in full was $2,373,412.26, and the amount paid was $807,255.06. The amount involved in claims not finally disposed of was $7,375,514.03.

Payments Made Promptly

Showing the promptness with which payment was made, 31 companies paid 100 percent of their claims within the normal period of one day after the receipt of complete proofs; 16 companies paid 99 percent; 5 companies, 98 percent; 4 companies, 97 percent; 2 companies, 96 percent; 13 companies (including the large industrial companies where the physical ability to handle claims is a factor), 95 percent; 2 com-

panies, 94 percent; 2 companies, 93 percent; 5 companies, 90 percent; 2 companies, 89 percent; 2 companies, 88 percent; 2 companies, 87 percent; 1 company, 85 percent; 1 company, 84 percent; 1 company, 81 percent; 4 companies, 80 percent; and 6 companies less than 80 percent. In other words, 71 companies paid 95 percent and upwards of their claims within 24 hours after receipt of proofs of death, and 28 companies paid between 80 percent and 95 percent of their claims in the same period of time. Twenty-nine companies paid between 80 percent and 100 percent of their claims within two days; 18 companies, between 80 percent and 100 percent in three days and their payments represented approximately 90 percent of claims paid in full during the entire year.

Staggering Total for 1919

The number of claims presented during the year 1919 represents a somewhat staggering total. It should be borne in mind, however, that they include 164 companies representing 95 percent of the total outstanding insurance in United States companies. While the percentages referred to will certainly be as favorable to the public in 1920 and in the future as they were last year, it is a satisfaction to say that in every direction considerably decreased death losses over 1919 are being reported. During the first 11 months of the present year the Metropolitan has paid 200,086 claims, representing a total of $42,232,508.44 as against 204,056 claims, representing $43,047,313.27 for the same period of last year, or a decrease of 3,970 claims with decreased payment of $814,804.83. There are many reasons for this favorable showing as applying to all companies. The general conditions of health throughout the country are excellent. Claims resulting from the World War have practically ceased. They represent in our company, from August, 1914, to date, a total of 42,913, amounting to $11,226,378.76. The epidemic of influenza and resulting pneumonia which swept the country for a considerable period of time after Oct. 1, 1918, has disappeared and the claims now resulting from these causes are entirely normal. During the last three months of 1918 they amounted in our company to 81,105 claims, totaling $17,367,867. During 1919 the claims numbered 42,913, representing $11,226,-378.76; and during the first 11 months of 1920, 31,871 claims, representing $7,582,892.91. During the first 11 months of 1919, the average of death claims paid daily by the Metropolitan was 758 and during a corresponding period of 1920 the daily average was 730.

Reverting to the subject assigned to me, "Policy Claims—a Moral Test of Life Insurance." I think we have proved that the companies can fairly claim to meet that test with a marking of 100 percent. There has been a tremendous growth and development along right lines in the business of life insurance in recent years in this country. Surely those of us who are charged with the responsibility of handling policy claims can feel reasonably well satisfied with the conduct of a branch of the business in which the millions of insured people are so vitally interested.

Murphy to Assist Thorp

President Arthur D. Murphy of the Philadelphia Association of Life Underwriters has been appointed assistant to President Orville Thorp of the National Association and will be in charge of the third division of District No. 2, which includes eastern Pennsylvania and New Jersey. With associations established at Philadelphia, Williamsport, Wilkesbarre, Scranton and Harrisburg in Pennsylvania, and at Trenton, N. J., it is probable that an association will be established in the near future at Reading, Pa., and one in southern New Jersey, with headquarters at Atlantic City.

RESULTS IN NOVEMBER

EFFECT OF FARM CONDITIONS

President John M. Stahl of Farmers National Says His Agents Have Fighting Clothes On

President John M. Stahl of the Farmers National Life of Chicago, a company writing a large farm business, speaks of the farm conditions and their effect as follows:

"It is probable that the business of every life company has slackened the past few months. On account of the very severe decline in the prices of farm products—farm prices are only one-half what they were a few months ago —it was inevitable that, from the time the fall in farm prices became material, there should be a falling off in the business of the Farmers National Life, which writes nearly all its business on farmers. Hence the management is indeed pleased that the November, 1920, business was 11 per cent greater than the November, 1919, business, and that cash renewal premiums collected during November, 1920, were 59 percent greater than during November, 1919. Lapsation during November, 1920, was much less than was anticipated. This showing is all the more gratifying because of the presidential election this year and especially because last year there was a contest for prizes totaling $2,000 among the agents of the Farmers National Life, whereas this year there is no contest for prizes nor any extra or special inducements whatever to stimulate the production of business.

"The agents of the Farmers National Life were never more enthusiastic than now nor did they ever before work harder. They are determined to maintain their production notwithstanding the very hard condition among farmers due to the slump in the farm prices of farm products and the refusal of country banks to make any loans. They are cheered by the fact that while hard conditions have come first to the rural districts, they are not so severe there as they will be in the cities, and the hard conditions in the country will be terminated long before they end in the urban territory."

New England Men at Denver

A meeting of the Colorado Agents of the New England Mutual Life Insurance Company was held in Denver the week ending Nov. 29. This meeting has been very beneficial to all concerned from all reports.

At a dinner Wednesday night Glover S. Hastings, superintendent of agencies, talked on the masses of insurance and the relation of the New England to policyholders and agents. A. C. Foster, president of the Bankers Trust Company and director of the Federal Reserve Bank, spoke on the financial conditions.

G. A. Warfield, dean of the University of Denver, outlined the work of the school of finance and commerce, and also the expected work of the life insurance course to be started soon by the university. C. M. Read, manager of the Retail Credit Men's Association, explained the local situation as to credits. Short talks were also made by Dr. Carroll E. Edson, chief examiner for the New England for Colorado, and Clarke Mitchell of the Bankers Trust Company.

Charles E. Knight, general agent for Colorado, presided as toastmaster.

Marquette Life Examination

The examination of Marquette Life, Springfield, Ill., by the Illinois department as of June 30, shows for the first six months: Premiums, $104,826; total income, $157,480; disbursements, $82,-043; assets, $994,876; capital, $254,340; capital impairment, $3,630; insurance in force, $5,761,794.

LINDQU ST DISCUSSES QUALIFICATION LAWS

Minnesota Commissioner Emphasizes Importance In Address at Milwaukee

CAN FIND SAFE GROUND

Between Limitations of Constitution and Police Power of State—Raps Radicals

The importance of agents' qualifications laws was emphasized by Gustaf Lindquist, Minnesota insurance commissioner, in an address Saturday before the Milwaukee Association of Life Underwriters. He also gave some suggestions for procedure along that line.

Mr. Lindquist took the hide off the Nonpartisan League and the various movements for state insurance and congratulated the people of Wisconsin on having defeated the "Red Menace" at the last election instead of giving over the state "tied in a red flag" to that group. He said in part:

Qualification Laws Vital Subject

"The subject of agents' qualification laws is one of the utmost importance to the insurance world. I believe a safe ground, upon which to erect valid qualification laws, may be found between the provisions of our national constitution—safeguarding the life, liberty and property of the individual—and the police powers of the state. A review of judicial opinions, state and national, leads to this conclusion. Such laws must embrace the standards of competency and trustworthiness, which all must attain and which all must have the opportunity of attaining.

"It is undoubtedly true that the enactment of such legislation would operate, in the practical working thereof, to exclude so-called 'part time' men, because of their probable disinclination to submit to examinations, yet in drafting such laws, it must be borne in mind that they cannot be eliminated by legislation alone.

Effect on Public's Attitude

"The public will set no higher value upon any group of men than they set upon themselves. The attitude of the public towards life underwriters will, in the long run, be just what the underwriters make it. If we work earnestly to raise the standards of what is now generally regarded as only a business, until it comes to be recognized and honored as a profession, the public, as well as ourselves, will profit thereby.

"We all know that in recent years there has been a marked improvement in the rank and file of the men engaged in life underwriting. This is partly due to the action of many companies in insisting upon certain requirements within their own organizations. It is due even more to the vision and foresight of the men who formed and have worked for the success of the organization to which you belong.

Why Efforts Have Failed

"It seems to me that the time has arrived when it will be possible to go a step beyond and supplement this influence. By organized effort it should be possible to secure legislative action which will insure to an even greater degree the fitness of individuals who wish to engage in life underwriting. There have been attempts along this line, but they have not met with success for two reasons: First, lack of general understanding as to the importance of life insurance to individual members of the community. Second, the beliefs that this effort to restrict the field was actuated by selfish motives.

"The value to the state, resulting from an increase in the amount of life insurance carried, is so great, and serves in so marked a degree to reduce poverty and dependency and to promote thrift, that it seems scarcely open to argument that only men properly fitted by education, and willing to observe certain ethical standards, should be permitted to engage in that business.

Greatest Good to Greatest Number

"It will be urged that the establishment of a higher standard of qualifications will work a hardship upon some individuals and, possibly, upon some companies. This argument has always been advanced against regulation, but fails miserably before the fact that the purpose of all law must be 'the greatest good to the greatest number.'

"The departments regulate every phase of the insurance business to the utmost detail, but have little to say as to the qualifications of the men for whom the company is applying for licenses. The individual underwriter is as much responsible for the development of his company as are the officers in charge responsible for the carrying out of its contracts and all its obligations to the public, and for that reason the underwriters should have properly established standards and qualifications for engaging in such an important business.

Reason for Radical Measures

"There usually appear at every session of the state legislatures certain radical measures which are designed and advanced not as constructive but as restrictive legislation. Having followed a number of such proposed enactments to their source, I believe that in the majority of cases they emanate from the unfortunate experience of someone. There are companies and individuals who indulge in sharp practices who may fulfill the letter of the law but do not respect their moral obligations. The practice of scaling losses and carrying cases into court on the slightest pretext is far too common.

"Do not feel, because your own actions and the standing of the companies which you represent are above suspicion or criticism, that this does not affect you. Every unfair act, every sharp practice, serve to undermine the result of your sincere efforts and lessen your opportunities for increased business."

Revising Underwriters' Program

DALLAS, TEX., Dec. 7.—President Orville Thorp of the National Association of Life Underwriters said this week that the revised program for the work of the organization during the year is now on the press and will be ready for distribution in a few days. It will be mailed out by the council from the New York office. At the same time two or three ideal programs for one day selling events will be announced. It is hoped the various district and state organizations will make use of these programs, Mr. Thorp said. The council will also announce the proposed reading list, Mr. Thorp said.

To Attend Palm Beach Meeting

The following men from the northwest will leave Chicago, Jan. 5 for Palm Beach, where they will attend the New York Life agency managers convention beginning Jan. 8: J. H. Olmstead, Grand Forks; A. W. Newman, Winnipeg; J. J. Corneveaux, St. Paul; H. T. Miller, Minneapolis; Samuel O. Buckner, inspector of agencies, Milwaukee.

The annual meeting of the National Association of Mutual Life Underwriters will be held in Chicago Dec. 14-15.

COMMISSIONERS HAD WINTER GATHERING

Governor Harding of Iowa and Governor-Elect Preus Speak at Meeting

LIBERTY LOAN VALUATION

Steps Taken to Try to Get the Fraternal Societies on an Adequate Rate Basis

NEW YORK, Dec. 7.—Governor W. L. Harding of Iowa and Governor-Elect Jacob A. O. Preus of Minnesota received a hearty welcome when they appeared before the insurance commissioners Tuesday afternoon. Governor Harding spoke briefly, saying that the good governors of Iowa usually anchored with an insurance company after serving their terms and he had done likewise. Governor Harding is now president of the Liberty Mutual. Governor-Elect Preus told of the Non-Partisan League struggle in Minnesota and said he proposed while governor to try to satisfy the just grievances of the farmers in that state by making legal provision for the formation and maintenance of farmers' cooperative buying and selling associations.

No Compromise with Socialism

There would be no tampering, however, with the institution of private property and no compromise with Socialism. Calling attention to the failure of 20 North Dakota banks recently, he said the State Bank of North Dakota would bear watching for interesting future developments. He closed with a plea that the insurance commissioners stand firm for the private ownership and operation of American business.

After several days spent in committee meetings, general sessions of the National Convention of Insurance Commissioners began Tuesday morning with Frank H. Ellsworth, Michigan, president, presiding. Representatives from 29 states were present and others arrived during the day. The only action of the convention Tuesday was to accept reports made by the executive committee and by the laws and legislation committee.

Agency Qualification Laws

There was considerable interest in what might be done on the proposed agency qualification law presented by the committee on laws and legislation. Chairman Burton Mansfield of this committee simply reported that a bill had been prepared and was now in the hands of commissioners for examination and that discussion of the proposed bill would be deferred to a future convention.

The convention adopted the committee's report setting forth the amortization of securities law now in force in Minnesota, Virginia and Connecticut as one to be endorsed and passed for all states. This law applies only to life, assessment life and fraternal companies. As no progress could be made at this time on a proposed mutual assessment bill, the committee asked and received permission to discontinue consideration of it.

Liberty Loan Bonds

William B. Joyce, president of the National Surety, asked the valuations committee to modify its rule as to the valuation of Liberty loans bonds so as to take all these bonds into company statements at market value or else to allow each company to value its bonds to the amount of its subscriptions of

the government at par, regardless of whether the originally purchased bonds were still held or not provided the company, of course, was holding bonds equal to or greater than that amount. The National Surety sold its originally purchased Liberty loan bonds and then went out with the cash received and purchased other Liberty loan bonds. It has not been permitted to list these bonds at par but only at the market value as provided for in the commissioners' rule on Liberty bonds bought in the open market. Commissioner Phillips of New York made it clear that several commissioners had indicated to companies during Liberty loan campaigns that Liberty loan bonds purchased at par of the government would be accepted at par for company statements. The attitude of the executive committee clearly pointed to a continued recognition of that plan and the request of Mr. Joyce was acted on unfavorably when the committee decided to recommend no changes in the present practice of valuing Liberty bonds.

Fraternal Situation Discussed

A long session of the fraternals committee Tuesday afternoon was given over to hearing a discussion of the so-called Richmond bill by fraternal representatives. The bill provides for making certain adequate rates for new members of these organizations and other practices making them safer for members. The chief objection made was that more time should be given to educate the membership of such societies that they might accept the principles of the Richmond bill rather than destroy their societies if a proposal was thrust at the membership before they were ready to vote approval of it.

At its forenoon session today the commissioners without dissent accepted the recommendations of the executive committee that the matter of blank revision from fraternal organizations be referred back for further consideration to the special committee that have it in charge, and that the method of valuing securities decided upon at the annual meeting of the commissioners in September last be endorsed without any modifications.

The visiting commissioners and deputies were guests of the Metropolitan Life at a complimentary dinner given at the offices of the company. President Haley Fiske was the host. No set speeches were made, the affair being delightfully informal.

Seeks Control Over Fraternals

The Pennsylvania department will have introduced at the coming session of the legislature a measure giving it jurisdiction over fraternal organizations that have insurance features. At the present time fraternal organizations are not compelled to report to the state. Some of them do, however.

Pacific Mutual's Business

Vice-President D. M. Baker of the Pacific Mutual Life states that the company will pay for $105,000,000 new business this year and will show $350,000,000 in force Dec. 31, giving it an increase of $85,000,000 insurance in force. He says that 30 agencies will pay for over $1,000,000 each this year; 15 agencies will pay for over $2,000,000 each; 12 agencies will pay for over $3,000,000 each; seven agencies will pay for over $4,000,000 each; four agencies will pay for over $5,000,000 each; two agencies will pay for over $6,000,000 each, and one agency will pay for over $13,000,000. The accident department will collect in round numbers $3,200,000 in premiums this year, showing an increase of $700,000 in collections over the previous year. A large part of this immense increase is due to the popularity of its new non-cancellable income contract, Mr. Baker says.

Sol Toronski, agent for the State Mutual Life at Canton, O., has returned to his territory, following several months spent in Europe with Mrs. Toronski and daughter.

NEWS OF LOCAL ASSOCIATIONS

Madison, Wis.—"A father who, by neglecting to provide an estate or life insurance for his widow and orphans, leaving them penniless, is committing a crime and a sin against them, and he is not worthy of being called a father, or a husband, if it lies within his power to amply protect them," declared Judge A. C. Hoppmann at a meeting of the Madison Association.

As justification for the foregoing, he said, "It has been my sad duty to be compelled to send children to the state reformatories as a direct result of the inability of the widow to give them the guiding care they needed, because she was compelled to devote her time to providing the necessaries of life which life insurance would have provided. Life insurance would have saved the family and educated the children who have appeared in many of my court cases.."

Judge Hoppman advocated the passing of a law by the legislature which would compel every man who did not possess a certain estate to take out a specified amount of old line life insurance at the time of his marriage, and a certain additional amount for each child.

The insurance man who is imbued with the idea of service, rather than he who is out "just for the money in it," is the man who will make good at the game, was the essence of the talk given by C. L. Miller of Madison. He also dwelt at length on the problems met in selling income-plan insurance.

A. C. Larson, one of the best known insurance men of the state, presided and opened the meeting with the declaration that the greatest enemy of poverty is life insurance. Several informal talks were given, among the speakers being Harry French and Dr. Haneck, the latter turning to the insurance field after a long period of service as a physician.

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Oklahoma City, Okla.—"Permanence of Estates" was the subject of a paper by John R. McFee of Chicago, which was read at the weekly luncheon Saturday of the Oklahoma Association. Life insurance to counterbalance the shrinkage attending the settlement of estates was suggested by Mr. McFee as the only means of keeping an estate of definite amount intact for one's heirs. Life insurance on the monthly income plan is the best safeguard a man can leave his family, Mr. McFee asserted, as this form of inheritance is exempt from taxation.

* * *

Philadelphia, Pa.—A special luncheon meeting of the executive committee of the Philadelphia Association and of general agents, managers and superintendents of life insurance companies represented in or near Philadelphia was held on Wednesday for the purpose of having Chairman Winslow Russell of the national education committee explain the working plans for the intensive campaign of life insurance education and publicity to be launched on National Insurance Day, Jan. 19, 1921.

At the noon-day luncheon meeting of the Philadelphia Association Friday, Dec. 17, the subject for discussion will be "Permanency of Estates." The speaker on the topic will be John M. Patterson, judge of the Philadelphia court of common pleas, and the reply will be made by President James W. Edgerton of the Trenton Association of Life Underwriters. Arguments for income life insurance policies will follow, led by members of the Philadelphia Association.

* * *

Milwaukee, Wis.—The Milwaukee Association, to which Commissioner Lindquist of Minnesota pointed out the dangers of state insurance in a stirring address last Saturday, will give its active cooperation to the movement for a strong insurance federation in Wisconsin. President Manford W. McMillan said he believed every live life man would get behind the federation movement. Five new members were received at Saturday's meeting. The next session will be devoted to the thrift campaign and insurance activities in connection with it. Several life men will be drafted to talk at theatres during that week in January on life insurance from a thrift standpoint.

* * *

Des Moines, Ia.—Members of the Iowa Association heard Leslie York, agency manager for the Equitable Life of New York explain monthly income insurance at the December meeting Saturday night. Mr. York proved an exceptionally interesting speaker. He pointed out the advantages of the monthly income plan and asserted that experience has shown that the average length that the money received from an insurance policy lasts is seven years if it is paid in a lump sum. One-third of the 33,000 widows in the United States are dependent, he said. I. M. Treynor, president, presided at the meeting which devoted some time to discussion of the effort to secure the next national convention of life underwriters for Des Moines. The next meeting of the Des Moines life men will be Jan. 8.

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Oklahoma City, Okla.—The annual sales congress of the Oklahoma Association, Jan. 8, promises to be one of the most interesting meetings of insurance men ever held in this city. The program, though not now complete, promises to be exceptionally strong and will include some of the leading insurance men of the country. The Oklahoma association is one of the first to report starting activity for a one-day sales congress. Membership in this association doubled in the past year, and with the plan that is being formulated there is hardly any doubt that the year 1921 will see an increase of more than 100 percent.

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Cleveland, O.—The largest meeting in years was held this week by the Cleveland Association, when Franklin W. Ganse of the Columbian National Life, chairman of the executive committee of the National Association of Life Underwriters, spoke before nearly 200 members. Mr. Ganse's subject was "Inheritance Tax," and the keen interest in this subject was manifested by the presence of representatives from the county auditor's office. Many persons came from out of town to hear Mr. Ganse. In addition to a broad handling of this feature, Mr. Ganse answered a score or more of questions from individuals, enlightening on many phases hitherto uncertain to the members.

The meeting also was marked by the admission of new members, which brings the membership up to 257, the largest number the local organization has ever had. The new members received are Dodd Fuldheim, New York Life; J. A. Lynn, Canada Life; Joseph M. Frankel, Penn Mutual.

Type Not Black; Company Must Pay

Because the type used in a certain clause in the Aetna Life's policy was not black-faced the company must pay Mrs. Leone Gilboy of Superior, Wis., $7,500 insurance, a Wisconsin court decided last week. The company contended that $500 was the limit of its liability, since a clause provided that limit in case the insured was killed while employed as a switchman. Mr. Gilboy met death during a strike while coupling cars in a railroad yard.

The attorney for Mrs. Gilboy held that her husband's work as switchman was an emergency employment, that the supreme court of Wisconsin had held that any emergency clause in an insurance policy must be printed in black-face type to be valid. The court upheld the plaintiffs contention.

United Fidelity Life Changes

S. H. Harris, J. S. Teynor and C. C. Edwards have been appointed field supervisors of the recently organized United Fidelity Life of Dallas, Tex. All three are experienced life men with excellent records to their credit. The United Fidelity Life commenced operations Dec. 1, the home office being located temporarily in the Dallas County Guaranty State Bank Building. The company has purchased a ten-story office building in Dallas which it will use for home office purposes in the near future. D. E. Waggoner is president of the company. The company has issued an attractive booklet entitled "Protection," in which are contained photographs and brief sketches of the principal men behind the company.

Bohen & Littwinski have resigned as general agents at Freeport, Ill., for the Penn Mutual Life and the territory will hereafter be handled through R. H. Hetfer, general agent at Rockford, Ill.

NEWS OF COMPANIES

Indianapolis Life—The company celebrated its 15th anniversary in November. On Nov. 1 it had $26,078,355 insurance in force. Its new business issued up to Nov. 1 was $8,454,585. Its insurance gained up to Nov. 1 was $5,633,028. The Indianapolis Life has paid death claims amounting to $470,366. It has paid to policyholders in dividends $355,846. It has the distinction of never having contested a claim. It expects to close the year with $10,000,000 of new business paid for.

* * *

American Central Life—By the end of the year the company will have $100,000,000 of insurance in force, this having been accomplished in 41 years. The American Central, in commenting on this achievement, says that it has secured its business through regular channels. It is the plan to have an appropriate bronze memorial tablet containing the names of all officers, employes and agents, who are in good standing and in the service of the company on the date that it reaches the $100,000,000 mark. During the last few years the company has grown rapidly. At the beginning of 1918 it had $50,000,000 in force. The American Central is one of the strong, well managed western companies. It is making excellent progress and is building up symmetrically.

WITH INDUSTRIAL MEN

Prudential News

Agent Richard Mitchell of the Westerly, R. I., office of the Prudential in the Norwich, Conn., district has received the call of a higher position. He has been placed in charge of the assistancy staff in the same city.

Agent Seaton D. Koehler of the Hartford, Conn., district has moved up the line into the job of special assistant in the same district.

The following changes were made in the Washington, Pa., district:

Assistant William C. Hathaway of Brownsville, Pa., was transferred in the same capacity to Cleveland No. 1; Assistant Harry E. McCamic was transferred to Brownsville, Pa., as an assistant superintendent; Agent Louis P. Natali was promoted to assistant superintendent at Brownsville, making two assistancies at that point instead of one, which was the previous status of the territory.

As a result of excellent work as an assistant superintendent in the New Bedford, Mass., district, Edgar B. Whitcomb has been promoted to the position of superintendent. He is placed in charge of the Lynn, Mass., district.

Guy A. Bryan of Terre Haute, Ind., and Frank P. Paradowsky of Kansas City, Kan., have been promoted to the position of assistant superintendent in their respective districts.

LIFE AGENCY CHANGES

Takes Philadelphia Post

Frank D. Lombar, for four years superintendent of agencies of the Columbian National Life, who several months ago was assigned temporarily to conduct the Philadelphia branch office of the company has resigned from the executive department to enter the general agency field and take charge of Eastern Pennsylvania territory. His resignation from the home office staff was accepted and he was appointed general agent as of Dec 1 with headquarters at Philadelphia.

Mr. Lombar made his start in the life underwriting profession as agent for the Connecticut Mutual Life in 1907 shortly after being graduated at the University of Missouri. Prior to associating with the Columbian National Life he was supervisor of agencies for the Pittsburgh Life and Trust, which connection he relinquished immediately after the death of William C. Baldwin, the president and founder.

Continental Life Appointments

D. A. Prichton & Co., of Great Falls and Geraldine, Mont., have been appointed general agents of the Conti-

nental Life of Kansas City. They will develop the central district of Montana, which lies between the Miles City and the Butte agencies. D. A. Prichton, the main one in the firm, has had a large life insurance experience. M. C. James of Higginsville, Mo., has been appointed general agent for two counties in his section.

B. A. Notzon

B. A. Notzon, agency director at St. Joseph, Mo., will succeed Dick Oliver, agency director of the Colorado branch of the New York Life, who has been promoted to be supervisor of the southwestern department with headquarters in St. Louis. Mr. Notzon will assume his new duties in Denver about Jan. 1. Ed Sisk, agency organizer for the Colorado branch, has been promoted to agency director of the New Mexico branch at Albuquerque. His successor has not yet been selected.

Hicks' New Associates

J. Everett Hicks of Boston, Massachusetts manager of the Union Mutual Life, and well known to the life men of the country as president of the Boston Underwriters on the occasion of the recent life agents' convention in Boston, announces the association with him of Arthur W. Dudley, William H. Spinney and David E. Sprague as associate state managers, beginning Dec. 1. The three new men have been important factors in building up the Union Mutual's business in the Hicks office for some years.

J. R. Shultz

J. R. Shultz, who has been general agent of the Equitable Life of New York, for the western half of Oklahoma for the past ten years, making his home during that time in El Reno, has resigned to become Oklahoma state manager of the Northwestern National Life of Minneapolis. Not only has Mr. Shultz been successful in the life insurance business but he has been equally so in commercial lines. He has disposed of his interests and removed to Oklahoma City.

Owen R. Mann

Owen R. Mann, of Louisville, well known in insurance circles, has recently been appointed general agent in Kentucky for the Missouri State Life. Mr. Mann is connected with the Trustees System at Louisville.

Emil W. Lindvahl

Emil W. Lindvahl, formerly with the John Hancock Mutual at Chicago and for the past year special agent of the Michigan Mutual Life, has been appointed general agent of the Michigan Mutual in northern Illinois, with headquarters in Chicago. He will have four counties under his supervision, and his office will operate independently of the J. P. Farmer general agency of the Michigan Mutual in Chicago.

Life Agency Notes

B. A. Bridges, who has been with the Reserve Loan Life in Tennessee on a part-time basis, will now devote his whole time to the business and has become district manager of the Ohio National Life for an important section in Tennessee with headquarters at Erwin.

The Washington, D. C., Memphis, Wheeling and Peoria branch offices of the Travelers on Nov. 8 were added to the list of offices that had exceeded their total new paid-for life allotment for the full year 1920. The Hartford Branch, Birmingham, Chicago and Brooklyn passed the buoy on Nov. 24.

NEWS ABOUT LIFE POLICIES

New Policies, Premium Rates, Dividends, Surrender Values and all Changes in Policy Literature, Rate Books, etc. Supplementing the "Unique Manual-Digest" and "Little Gem," Published Annually in May. PRICE, $3.00 and $1.50 respectively.

HAS NEW DISABILITY CLAUSE

Form Just Issued by Continental Life of Delaware Pays Double the Usual Amount

An interesting new form of disability clause is that just issued by the Continental Life of Wilmington, Del. It pays double disability, $20 per month for each $1,000 of insurance, twice as much as the old disability clause gives and twice as much as can be secured with any other life insurance contract. The company says that the disability benefit which ordinarily goes with the amount of life insurance purchased by the average man will not give him and his family a living income if he is disabled. The new disability benefit may be applied to old policies. The rates including the double disability benefit at age 35 are as follows:

Participating—Ordinary life, $29.46; 20-payment life, $38.52; 15-payment life, $45.88; 10-payment life, $61.24; paid-up at age 65, $32.19; 30-year endowment, $36.77; 25-year endowment, $42.65; 20-year endowment, $51.85; 15-year endowment, $58.83; maturing at age 65, $36.77.

Non-participating — Ordinary life, $26.04; 20-payment life, $34.45; 15-payment, $41.33; 10-payment, $55.68; paid-up at age 65, $28.56; 30-year endowment, $32.81; 25-year endowment, $38.25; 20-year endowment, $46.72; 15-year endowment, $52.41; maturing at age 65, $32.81.

Farmers & Traders Life

The Farmers & Traders Life of Syracuse, N. Y., will on Jan. 1 issue a new rate book which will contain both new rates and new surrender values. The company will also issue the following new policies: Endowment at 65, continuous and 20-payment life, monthly income, ordinary life and 20-payment life, 25-year term and 5-year term.

Detroit Life

The Detroit Life has discontinued its 20-year term policy. The company will pay the following schedule of dividends for 1921 on policies issued in 1918 and 1919, it having commenced the issuance of participating forms a couple of years ago.

	25	35	45	55
Ordinary Life				
1918	$2.16	$2.54	$3.39	$5.70
1919	2.08	2.42	3.15	5.26
20-Payment Life				
1918	$2.46	$2.85	$3.65	$5.86
1919	2.31	2.65	3.36	5.39
20-Year Endowment				
1918	$3.12	$3.35	$3.97	$5.98
1919	2.82	3.03	3.60	5.49

California State Life

The California State Life has issued a new form of 20-payment life policy which provides for an annuity option to the insured when paid up. A policy for $5,000 at age 35 issued Oct. 1, 1920, will at the end of 20 years pay $218.40 per annum, terminating with the death of the insured. The premium on the straight 20-payment life low cost policy at age 35 is $31.62 per thousand. The company has gotten out a new application blank covering a number of changes.

Kansas City Life

The Kansas City Life has discontinued the ordinary life form and substituted a life paid-up at age 80. A short time ago the company changed rates on convertible term 5, 10, 15 and 20-year term, ordinary life, 20-payment life, 15-payment life, 10-payment life, 20-year endowment, 15-year endowment and 10-year endowment.

Gem City Life

The Gem City Life of Dayton, O., has added a wide-open indemnity clause at the flat rate of $1.50 per thousand. It will still issue the old travel accident double indemnity clause at $1.25 per thousand.

TREATMENT OF SUBSTANDARD RISKS

Some Observations on Live Life Insurance Topic by Arthur Hunter, Chief Actuary of the New York Life

ARTHUR HUNTER, chief actuary of the New York Life, in his admirable studies on treatment of under average risks has attracted wide attention by his clear and practical presentation of the subject. In continuation he said:

Gall Stones, Colic, Gravel

A gall stone is a solid substance found usually in the gall bladder or in the passages leading therefrom. It is generally the result of long continued inflammation. On account of its association with the bile or the gall bladder it is frequently called biliary calculus. The experience of the life insurance companies shows an extra mortality of about 30 percent.

Our treatment of persons with a history of gall stones or biliary calculi depends upon the number of attacks, their severity and the time elapsed since the last attack. The liability to recurrence seems to continue for a number of years.

Biliary Colic

Biliary colic or hepatic colic is frequently another name for gall stones, and the underlying causes are the same. The experience of the life insurance companies shows an extra mortality of 28 percent. Our treatment is the same as for gall stones.

Gravel—Renal Calculus

Gravel and renal calculus consists of substances formed in the kidneys, the difference being that the gravel is of smaller size than the calculus or stone. In the experience of the life insurance companies neither the renal calculus nor the gravel is so serious as gall stones; but even among the best cases the companies have experienced a mortality higher than the normal. The practice of the company depends upon the number of attacks, and the time elapsed since the last attack. If there has been one attack occurring more than five years ago, the history of gravel or renal calculus is ignored; but if there were two attacks, the last occurring a year ago, an advance in age would be charged depending on the age of the insured and the plan of insurance.

Renal Colic

This is usually due to gravel or renal calculus, but is sometimes due to an inflamed condition of the kidneys or of the passages leading therefrom. Our treatment is the same as for renal calculus or gravel.

History of Consumption

Applications for insurance are frequently received from those who have had consumption at some time in the past and are now cured. This disease is known by the medical profession as "tuberculosis of the lungs" or "phthisis." The extra mortality among those who are cured depends on (a) the number of years since the illness, (b) the severity of the disease, (c) the present weight and condition of the applicant, (d) the age of the applicant. This results in great diversity of treatment.

Mortality Experience

In considering each case presented by our agents the build of the applicant—that is the percentage under or over the average weight—is vital. Its importance in our estimation may be judged from the fact that we expect twice as large an extra mortality among those of 20 percent under the average weight as among those of average weight—all other conditions being the same. Again we expect half as great an extra mortality among those 20 percent over the average weight as among persons of average weight. If, therefore, we estimated an extra mortality of 200 percent among those 20 percent under the average weight we should expect only 50 percent among those 20 percent over the average weight. For his own sake a man cured of consumption should keep himself above the average weight in order to minimize the chance of a return of his lung trouble.

The age of the applicant is of importance; the older he is the smaller provision for extra mortality is made. For example: we expect more than twice as high an extra mortality among men of age 25 as among those of age 45 under like conditions.

Experience at Sanataria

A comparison of the percentages of cure at the principal sanitaria shows a large increase during recent years in the cases cured. A careful analysis indicates, however, that this is not due so much to the improved methods as to the patients going to the sanataria earlier in the course of the disease. A few years ago the patients did not apply for treatment until the disease was well advanced but nowadays the majority of the patients go to the sanataria in the incipient (beginning) stage of the disease. This change in the attitude of the public is excellent, as it results in a far larger percentage of cures as well as a shorter period of treatment. In addition it greatly increases the percentage of "arrested" cases, that is of cases where a cure cannot be claimed but where there is no active disease of moment.

Experience of Sanatarium Patients

Among the patients discharged apparently cured from a famous Adirondack sanatorium, the death rate after discharge was about twice the normal. This is very satisfactory and shows that when the patient commences treatment early in the course of the disease, follows the rules in the sanitarium, and is discharged as apparently cured, his chances of a permanent cure are very good. Tell the applicants with a history of consumption to whom policies are offered by the company that they should keep themselves above the average weight and they have little to fear. This is on the assumption that they would naturally follow their doctors' rules regarding fresh air and food.

Tuberculosis of Bone

A small percentage of our business comes from those who have had tuberculosis of bone, the most common of which is tuberculosis of the hip joint. It does not seem advisable therefore to refer to this except briefly. The experience of the life insurance companies showed an extra mortality of 40 percent, but this was among the best types of risks the majority of whom had had the tuberculosis more than 10 years before application for insurance. In our treatment account is taken of the age, build, condition, and time elapsed since the attack. In general we consider that the extra mortality will be about one-half of that among persons who have a history of tuberculosis of the lungs (consumption).

Tuberculosis of Glands

Applicants with a record of tuberculosis of the glands within recent years form a very small percentage of

our business. Where the attack was more than 10 years ago the mortality experienced was only slightly in excess of the normal in the best of cases but a more recent attack calls for a substantial provision for extra mortality. Our experience indicates that the mortality depends upon the age and build, also that it is likely to be only one-third as dangerous as tuberculosis of the lungs.

Tuberculosis of other organs is met in our daily work but such cases are not sufficiently numerous to justify a statement regarding them.

Sugar in the Urine

Sugar in the urine is often an indication of disease but it may be temporarily due to over-indulgence in sweets, to improper food, or to too much starch in the diet. Where it is found constantly it may not necessarily be due to actual disease, but it is probably a rather serious condition and may end in diabetes. When true diabetes is established, the company does not grant insurance on any terms. When sugar is found from time to time, but not regularly, it shows that the process of converting food into living cells is faulty. Such an individual should have himself carefully examined by a specialist to determine the kind of food which he may safely eat and the limits beyond which he should not go, especially in the amount of sugar and starch.

The cases which come before an insurance company range from a single finding of sugar in several tests to the finding of a large amount in every examination made. If acetone is found, in addition to sugar, the company does not insure the risk on any terms.

On account of the great variation in the condition of the applicants the mortality experienced by this company and other companies varies greatly. Where there has been only one finding and it is clearly due to an indiscretion in diet the mortality in such a group may be considered as normal or only slightly higher than the normal. If, however, sugar is found intermittently, an extra mortality of at least 50 percent may be expected. In many of these cases the condition is temporary but in others the beginning of serious trouble is indicated. Where sugar was found constantly in moderate quantities the company had more than double the normal mortality (i. e. over 100 percent extra mortality), and one-third of the deaths were due to diabetes.

Sugar More Serious Than Albumin

In general sugar is a more serious condition than albumin in the urine, and while the former is not found nearly so frequently as the latter among young men the reverse is true at the older ages.

Our investigations show, even in cases where sugar is found occasionally, that there is a larger percentage of deaths from diabetes than the normal. This indicates that persons who have such a defect should put themselves under a doctor's care, and thereby many would avoid having diabetes. He can determine whether the matter is serious or not and advise treatment accordingly.

Pleurisy

Pleurisy is inflammation of the pleura which is a thin membrane lying between the lungs and the outer wall of the chest. The purpose of the pleura is to enable the lungs to expand and contract, to slide to and fro, without friction.

Mortality Experience

Until 1914 it was not realized that an attack of pleurisy had an influence on

mortality for several years after the attack. In that year the statistics of the life insurance companies proved that an attack within five years of application for insurance increased the future mortality by nearly 50 percent. If the attack occurred between five and ten years before application the extra mortality was nearly 15 percent. The death rate from consumption was high, three times the normal in the former and twice the normal in the latter group. As the percentage of deaths from pleurisy to the total deaths was only one-half of one percent, it is evident that the disease to be guarded against is consumption.

Must Consider Weight and Age

In our judgment both the age and the weight must be taken into account in deciding upon the influence on mortality of an attack of pleurisy. In addition the number of years since the attack is important. For example, among cases with an attack occurring three years ago an applicant 10 percent above the average weight would be considered a standard risk but if he were 20 percent under the average weight he would be considered a substandard risk and an extra mortality provided for of 60 percent at age 25 and of 35 percent at age 35. The expected extra mortality is highest at the younger ages among light weight persons and lowest at the older ages among persons slightly above the average weight. As consumption is the principal cause of the extra mortality it is natural that we should treat those with a personal record of pleurisy on practically the same principles as those with a family history of consumption.

Care of Health

The lesson which the public should learn from the experience of the life insurance companies is to protect individuals against consumption after an attack of pleurisy. To do this effectively they should be guarded against infection, kept well nourished, with weight held above the average especially at the younger ages, and they should sleep out of doors and spend as much of their life as possible in the open air.

Lamar Life Increases Capital

At a recent meeting of the board of directors of the Lamar Life of Jackson, Miss., the capital of the company was increased from $100,000 to $150,000. The par value of each share is $10 and the additional issue will be placed on the market at $20 so that the surplus will be increased $50,000. It is understood that all of the stock will be sold to present shareholders. One of the largest purchasers of the new issue is H. S. Weston, who became president of the company in September, 1920. The Lamar was organized in 1906, and on Dec. 31, 1919, had something over $13,000,000 insurance in force. It operates in Mississippi, Alabama and Tennessee. All of the stock is held by residents of its home state, many of them policyholders.

Fraternals Favor Conference Bill

The Kansas Fraternal Congress at its recent session at Lawrence, Kan., adopted resolutions urging the adoption by the legislature of that state of the New York Conference bill for the regulation of fraternals and opposing proposed changes in that bill which have been suggested to the National Association of Insurance Commissioners.

The congress also declared in favor of an increase in the appropriation for the Kansas department sufficient to enable it to retain skilled actuaries and supervisors, who have been attracted from the department by the higher salaries paid by the companies.

Columbus Mutual in New States

The Columbus Mutual Life has entered the state of Nebraska and is contemplating entering one or two more states as soon as licenses have been secured.

RAILROAD SECURITIES ARE CONSIDERED SAFE

President Willard of the Baltimore & Ohio Addresses Life Presidents

TELLS ABOUT CONDITIONS

Discloses That Present Transportation Act Will Make the Properties More Stable

Daniel Willard, president of the Baltimore & Ohio Railroad, spoke before the Presidents Association on "1920, the Record Railroad Year." He said in part:

I understand that the insurance companies of the United States hold as investments something over $1,700,000,000 of railway interest bearing securities, and combined may be said to constitute the largest investor in such securities in the world.

Great Use of Railroads

In no other country in the world do the people make so great a use of the steam railroads as in the Uunited States. The most recent statistics available show that the steam railroads in the United States move on the average 4,000 tons one mile per capita per annum for our entire population. Previous to the war the average tonnage per capita per annum moved by the railroads in the five largest European countries was less than 400 tons one mile. In short, when measured in terms of ton miles per capita per annum, the railroads of this country perform more than ten times as much service as was performed by the railroads of the principal nations of Europe before the war. This great disparity of use is easily explained. Our country has a vast area and is rich in natural resources. It has generally been found advantageous to procure our flour, meats, minerals, forest products, etc., where each can be produced or obtained at the lowest initial cost and then ship them, largely by rail, to the point of ultimate consumption, the entire transportation cost being much less than the difference in initial cost of production in different parts of the country.

Should Be Adequate System

It seems likely that this condition will continue, at least for a long time, and while it does continue, it is of the

Without doubt there will be railway failures in the future as in the past, although probably less frequently. It will therefore be necessary for you who occupy the position of fiduciary agents to continue to use your best judgment and discretion when you invest the money which has been committed to you in trust by policyholders. We will expect and require of you that you take every reasonable precaution. I wish to repeat, that considered as a whole, I know of no industrial or gainful enterprise at the present time in whose securities one would be justified in feeling greater confidence as long time investments than in the security of the American railroads under a policy of regulation as outlined and provided in the transportation act of 1920.—Daniel Willard to Life Presidents.

utmost importance that there should be an adequate and efficient system of transportation uniting all parts of the United States. It has been clearly demonstrated by the conditions which have existed during the last twelve months that the transportation rate itself is well nigh insignificant so far as it affects the ultimate price of the article transported when compared with the indirect cost which would result from inadequate transportation.

Coal Situation Is Shown

The price at which soft coal has been selling at times and places during the last six or eight months is a case in point. It is estimated that we have in this country in the ground upwards of a thousand billion tons of good bituminous coal, and we have a productive capacity developed capable of producing 15,000,000 to 18,000,000 tons per week, equal to 750,000,000 tons a year, but we have never in any one year consumed more than 560,000,000 tons. With this condition actually existing we have seen coal selling at prices from three to five times higher than normal, largely because the railroads were unable to transport the coal with promptness and reliability between the point where it could be produced in almost unlimited quantity, to the point where it was required. Further, as the railroads were able to furnish a larger number of cars for coal loading, the production immediately increased. It is now running above 12,000,000 tons a week, or on the basis of 600,000,000 tons a year, an amount considerably in excess of the country's requirements. Coincident with the increased production the excessive price at which coal has been selling in the cash market has fallen more than 50 percent regardless of the fact that during the same period freight rates have been increased 40 percent.

Demands on Railroads to Increase

If our country is to enjoy commercial, industrial and domestic prosperity, it must have an adequate and efficient system of transportation, and the most generally satisfactory and efficient agency so far developed is the steam railroad. It is not likely that the demand for rail transporation will materially lessen in the immediate future; on the contrary it is as certain as anything can be that the demand will greatly increase, and on that account large capital expenditures, probably exceeding in the aggregate $1,000,000,000 each year, must be made for additional facilities and equipment, and in the future, as in the past, I assume that the railway managers and those who market their securities will look to the great insurance companies as purchasers.

Railroad Bonds

With the increasing demand for transportation which is certain to come, together with a definite rule for rate-making laid down in the transportation act, which provides that rates shall be so fixed that the carriers as a whole or in groups will earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property held for and used in the service of transportation, and which furthermore provides that for a period of two years shall be fixed by the commission so as to yield 5½ percent, and may be fixed so as to yield 6 percent upon the entire value of the property so used, it would seem that railway bonds which amount in the aggregate to only 55 percent of the entire property investment ought to be among the most attractive because the most reliable of investments.

Investment Is Safe

I am unable from the standpoint of a policyholder to think of or to suggest any safer or better way for you to invest the funds which you are holding on my account than in the securities of well established and well managed railroad companies. After all and in spite of all that Congress has done or may do to make railway credit sound, the management of the individual company is of course a very important element. Without doubt there will be railway failures in the future as in the past, although probably less frequently. It will, therefore, be necessary for you who occupy the positions of fiduciary agents to continue to use your best judgment and discretion when you invest the money which has been committed to you in trust by myself and other policyholders. We will expect and require of you that you take every reasonable precaution; but I wish to repeat that considered as a whole I know of no industrial or gainful enterprise at the present time in whose securities one would be justified in feeling greater confidence as long time investments than the securities of the American railroads under a policy of regulation as outlined and provided in the transportation act of 1920.

PLANS FOR CONGRESSES

LIFE MEN WORK OUT PLANS

National Association of Life Underwriters Provides Programs for the State Sales Conventions

NEW YORK, Dec. 8.—Orville Thorp, president of the National Association of Life Underwriters is attending the convention of Life Insurance Presidents and making plans for the meeting of the executive council of his own association to be held Dec. 10. The Association of Life Insurance Presidents during its consideration of agency problems Friday will consider the plans of the agents organization for closer cooperation. President Thorp reports that much progress has been made in the company association along cooperative lines.

Plans to Be Considered

Among the principal plans to be considered by the executive council of the agents association are the programs for state sales congresses and local organizations programs. It is hoped that a one-day sales congress can be arranged for each state and one extra for at least Texas, Ohio and Pennsylvania. These sales congresses will begin in January and will be so dated that speakers can go from one to the other on a scheduled itinerary. President Thorp plans to attend every congress. Announcement as to dates will be made probably next week.

Four One Day Programs

Four standard one-day programs have been outlined. One confines attention to business insurance, another to inheritance tax insurance, a third to income service and the fourth is a combination program. This latter takes up the selling process and then the three special life insurance services covered in the three standard programs. An association can have any program desired at its sales congress. The combination program is expected to be most popular, the three first named being given principally in the large centers of population.

Since the Boston convention the association has completed a platform carefully worked out around each plank of this platform based, on President Thorp's plan of cooperative underwriting. The executive council will suggest a program for the local association meetings. These programs have been very painstakingly prepared, the one on thrift, for instance, and another on education. These programs will be ready for distribution after the executive council meeting Friday.

The Providers' Life of Chicago has been licensed in Ohio and Indiana.

The Inter Southern Life of Louisville, Ky., has been admitted to Oklahoma.

HALEY FISKE DISCUSSES INSURANCE INVESTMENTS

(CONTINUED FROM PAGE 2)

able, intelligent, informed desires of its policyholders. In regard to this subject, what is the real interest of the policyholder? It is to get the best returns out of safe investments. Safety first, income next. Wherever the returns are highest on sound securities there should the investment be made irrespective of locality. But, given securities of equal value and return, it is right that policyholders should have their localities benefited. This is, I think, according to the investment plan of the companies. It is dictated by self-interest. Any attempt to dictate by legislation is sure to defeat its object. Suppose every state had a law compelling a large part of the state reserves to be invested in the particular state. Several things would happen. The usual provision in this class of legislation excludes railway bonds even on a mileage basis as to the state. Is it to the interest of the policyholders that railways should not be helped further in sales of bonds? It cannot be. Is it to the interest of policyholders that with a surfeit of money to invest in state and municipal bonds and bonds and mortgages the rate of interest should drop 2 percent? It cannot be. Is it to the interest of policyholders that the companies should be restrained from getting good returns in other states when because of surplus moneys inferior returns must be had in their own states? It cannot be. Is it to the interest of policyholders that the agricultural, manufacturing and civic development of parts of the country where the companies have small amounts of business should be stunted by the necessity of restricting investments to the proportion of insurance in force? It cannot be. Is it to the interest of policyholders that money should lie idle in banks because of the impossibility of finding sufficient amounts in the classes prescribed by law. It cannot be.

Funds Invested Where Funds Were Needed

What the companies have done is to invest their funds throughout the country where funds were needed, as indicated in part by the rate of interest obtainable. Two things were accomplished thereby which benefited policyholders: first, a better rate of interest was obtained, and second, the partially undeveloped parts of the country were helped along in their progress. The states are being welded more and more into a nation. They are getting closer together by increased interstate investments, nearer together by the diminishing of contrasts in respect of capital and consequent improvement in business and living conditions. There has been an abundance of capital in the New England states and insurance money was not needed; the necessities of the Middle Atlantic states and the Central Northern states have been decreasing; insurance moneys have been building up the South, Southwest and Northwest, and the Pacific states have been taken care of, apparently needing less outside help.

Health and Longevity An Asset to Companies

It was stated at the beginning of this paper that the factors in creating surplus include not only excess interest but mortality savings. In so far as the mortality savings have resulted from care in the selection of risks, the management has been efficient and the policyholders benefited. But is this the extent of what can be done in earning surplus from reduced death claims? If general mortality can be reduced, nay, more, if general health can be improved, sickness prevented and cured, will there not be a larger number of insurable persons and longer life? Is such a plan too remote in achieving results to justify company expenditure?

Is there a plan of investment not represented by pieces of paper which promise definite rates of interest, but by increased capital? Is a business based upon health and expectation of life and which has personal relations with two-fifths of the people of the country without any responsibility in matter of health and longevity. The life companies must face this question.

There has never been a time when public attention has been focused upon life and health so much as now. There has never been a time when life insurance has loomed so large in public estimation. There has never been a time when legislators were so anxious to put what I may call public burdens upon life insurance companies. Everybody is now recognizing how closely woven our business is with the social and economic interests of the people. We must not be blind to what everybody else sees. If work or health lines can be made to pay it is to the interest of the companies to undertake it.

TREASURY DEPARTMENT GIVES WAR RISK DATA

(CONTINUED FROM PAGE 8)

piration of five years would be approximately $3,643,347,850. This amount represents, in the circumstances stated, the theoretical prospective insurance liability under converted policies five years hence.

Death and Disability Claims

"Of the $40,284,892,500 war-risk term insurance written, there is a definite liability due to death and disability claims of $1,170,354,673.48, to be paid in installments over a period of 240 months, or in the case of total and permanent disability during the lifetime of the insured. The sum of $298,864,307.07 has been collected in war-risk term insurance premiums. This leaves a net current liability over premium payments of $871,112,366.41.

"In times of peace, premiums for term insurance ordinarily would be sufficient to pay all normal claims; but in the case of war-risk insurance it is to be remembered that many who are retaining their term policies are not normal risks, and also that the war-risk term insurance, as well as United States government life (converted) insurance, provides for permanent and total disability without additional premiums. Therefore it is unlikely that the term insurance premiums collected will, in fact, be sufficient to cover the actual liabilities. It is believed that premiums collected on converted policies (the United States government life insurance) will be sufficient to pay all claims."

Inasmuch as the bureau of war-risk insurance has no connection with the fiscal affairs of the treasury department, it is suggested that it could properly be transferred to another jurisdiction.

Life Men in Charities Drive

Des Moines life insurance men covvered themseles with glory at the public welfare drive for Des Moines charities which was concluded Saturday night. The team composed of life insurance writers was assigned to secure $9,500. The boys went to work with a will and exceeded their quota by $1,000. This was complete by Wednesday night, three days before the drive was scheduled to end. Fred W. Hubbell, treasurer of the Equitable Life of Iowa, was captain of the team and proved an expert organizer.

Atlas Life Enters Kansas

The Atlas Life of Tulsa, Okla., has been admitted to Kansas and is now appointing agents in that state. The company will soon enter Missouri also. Since its organization in October, 1918, it has been operating in Oklahoma, Texas and Arkansas, and has written $11,000,000 of business.

MENTAL THRIFT NEEDED IN LIFE OF PEOPLE

Much Wrong Thinking Is Found in Various Human Activities

SHOULD CHECK THE WASTE

Truth Should Be the Foundation and Guide in All Efforts to Reach Conclusions

President A. C. Humphreys of Stevens Institute of Technology, Hoboken, N. J., spoke on "Mental Thrift" before the Life Presidents Association. He showed the necessity of clear thinking and basing one's conclusions on correct information. He said in part:

This nation needs to be guided into the paths of true thrift. Our country is rich in natural resources and opportunities, and so we are apt to deceive ourselves as to our part in the scheme of life as a whole; we judge of ourselves by the results obtained, failing to recognize that these results are largely due to what Providence has put into our hands to administer for ourselves and others.

The combined statements of the life companies show that during the year 1919 the total of life insurance written was 62 percent greater than that written the year before—a record for the life insurance business of this country. This indicates thrift on the part of the people as a whole. It indicates a present purpose, but it is left for the future to establish the final record. Certainly this record, so favorable in itself, cannot be taken as an indication that the country as a whole, including the representatives of the people in government and official positions, has been thrifty. The reports so far available, covering the last few years of government operation, indicate wastefulness that is quite inexcusable.

Sound Common Sense Needed

The engineer is supposed, as far as possible, to apply his cultivated reasoning powers, and develop his plans, both for construction and management, on well-authenticated data. Let him go as far as he can on the data furnished, including the mathematics and science involved, there must remain much that requires the exercise of a well-balanced judgment, an ability to digest and adjust all the elements involved, including the financial, and finally the exercise of sound common sense—that sense which, I fear, might more accurately be known as uncommonsense.

The engineer has intricate problems to solve, even if he has access to thoroughly reliable data. How much data is there placed before us—and this not confined to engineers or engineering—which not only is not complete, but which is positively misleading? It takes no imagination to picture the mental waste and the consequent material waste indicated by such a condition. Data is given out, say by some government bureau, which is too generally accepted as complete and final by those who are not in a position to know; while some who are informed know that even if the statements are true, they generally comprise only part of the truth and so are misleading. The questionnaire is, in my opinion, a prolific source of misinformation, if the tabulated results are accepted by the uniformed as giving the whole truth.

Those of you who give this matter serious consideration will, I think,

When we stop to consider the advantages of material thrift upon the strength of a nation, qualifying the people to meet emergencies competently and courageously, how much greater is this result likely to be if this material thrift is built upon the solid foundation of mental thrift. Mental thrift means straight, direct thinking to the truth—and then the holding on to that truth all the more firmly for its age, if it has successfully met the searching tests through its years.—Alexander C. Humphreys.

agree with me that this questionnaire habit, which is growing upon us so in the United States, and particularly in the case of government offices and uplift societies, is a source of much misguidance, either through misinformation or through incompleteness of information. Here is one not unimportant field for the exercise of mental thrift.

Right Thinking and Right Doing

It is well that we should do our best, all of us, to encourage and develop material thrift in ourselves and in those around us. The life companies are doing a great work in this connection —when their plans are indicated by mental thrift, and then these plans are honestly followed by the companies' employes, especially by their agents.

But mental thrift, in the first instance, is of far more importance to the world at large than material thrift.

First, because this leads to right thinking and so gives us the basis for right doing. And right doing will necessarily lead to material thrift. I am, of course, not including that kind of "thrift" which designedly aims to accumulate selfishly at the expense of others. In the intellectual field the responsibility for straight and honest thinking should be greater than in any other one field.

Should Have Facts Supplied

Mental thrift for the masses means that they who have little time, little equipment, or little inclination for consecutive and correct thinking on questions affecting the community as a whole, should have the facts supplied to them by those who are equipped for this most important work and who are honest enough to give out the truth without fear or favor.

One way in which the masses are misinformed and falsely guided as to their opinions is through the emphasis laid in the daily press upon the departures from right doing on the part of those who occupy positions of prominence. For instance, a case of misappropriation of funds, or of sharp practice verging on criminality, is given prominence in the papers, and so too many people are led to believe that financiers and business men as a class generally are dishonest and not to be trusted.

College Professors

I hope I shall not be misunderstood if I say that too many of our teachers of economics, inside as well as outside of our colleges and universities, are not safe guides in connection with our public questions. Too many of them are lacking in practical experience and real contact with the things in which they attempt to instruct, and too many of them confine their studies to reading each other's books.

I do not hesitate to say that some of these men connected officially with our college and universities are distinctly a danger to the country, and particularly as they have the ear of many young men and young women at a time when these young people are forming their opinions for their future guidance in their several fields of life work.

Especially the "Intellectuals" carry a heavy responsibility with respect to mental thrift, as affecting themselves and others. Unless their mental powers are constantly exercised with restraint and due conservatism, they are sure to go astray and so lead astray those who naturally look up to them for instruction and guidance.

Another section of this class is to be found in our pulpits. Too often men of the church who are competent to guide us along the lines of religious truth attempt to instruct us along lines in which we are informed and they are comparatively ignorant. Probably we have all been disturbed by this experience with men whom we revered for their godliness and honesty of purpose, and also, perhaps, their general information. But this does not qualify them any more than it qualifies any of us to assume to be a safe guide in every subject and every subdivision thereof.

Room for Improvement

Perhaps in governmental affairs there is more room for improvement in mental thrift than in any other field of human endeavor. During the last few years we have, unfortunately, had too many opportunities to see the sad results of mental thriftlessness. I do not speak as a partisan and I recognize the tremendous difficulties which the government officials had to contend with. But after everything is said by way of extenuation, I, for one, am forced to say that, if we are a thrifty people, we have not been showing it especially during the last six years in the conduct of our government.

Influence of Periodicals

There is one influence that, if it were exerted, would perhaps be greater than any other to diminish the waste, the consuming waste, which we are suffering through mental thriftlessness—I refer to the daily press. Some of the papers are now living up to their responsibilities in this connection. Others are neutral and others are positively leading the people astray and helping to build up an unsound and dangerous public opinion.

Many of those in control of our daily papers and other periodicals, instead of aiming to lead the masses to straight and honest thinking, are constantly aiming to anticipate the ignorant and undigested thoughts of their readers. These are not leaders, but followers of the passing whims of the multitude and are catering to these passing whims.

Meeting of Life Counsel

NEW YORK, Dec. 8.—George Lines, general counsel of the Northwestern Mutual Life, presented a paper upon some questions concerning corporation insurance at the annual gathering of the Association of Life Insurance Counsel today. Another and the final address of the session was that by Helm Bruce, general counsel of the Intersouthern Life, answering the inquiry "By the law of what state are questions arising out of life insurance policies to be determined?" Summing up, Mr. Bruce held as a general proposition that a contract was interpreted by the laws of the state in which the company was domiciled, save where its provisions might violate the statutes of the state in which it was issued or be held opposed to public policy in such state.

The officers of the past year were re-elected. They are Edw. D. Duffield, president, Prudential; John L. Wakefield, vice-president; Wm. J. Tully, Metropolitan, secretary and treasurer. The executive committee consists of these officers and the following: John H. McIntosh, F. L. Allen, Charles A. Atkinson, William BroSmith, Alfred Hurrell. The association now has 118 members representing some 75 companies. The annual dinner was held Wednesday evening at Waldorf-Astoria, Edward D. Duffield acting as toastmaster.

No Slump Seen Yet at Cleveland; Work Hard To Conserve Business

CLEVELAND, O., Dec. 7.—No slump in insurance business is noted in this district among life insurance interests, in spite of the marked contraction in other business during the last few months. It is the firm belief of leading agents and company heads that the year will close as prosperous in the amount of new business written, and that December will measure up to the previous last-months-of-the-year in a manner entirely satisfactory to companies, their representatives and solicitors.

In few instances it is necessary to take precautions to keep business upon the books. Some companies are taking these precautions anyway, but in the main the usual provisions to obtain the payment of the second year premium, recognized as the hardest payment to secure, are being observed.

Cleveland Life's Method

Among the most comprehensive methods being employed at this time, useful especially under present business conditions, is that being put into effect by the Cleveland Life. A follow-up system to be used at the time when the second premium is due is meeting with success.

Coincident with the issuance of the regular notice to policyholders is sent a notice to the agent that the premium is due. This gives the agent 60 days in which to aid in the collection of this second premium; that is, the notice is sent out 30 days prior to the date the premium actually is due, and there is the 30 days of grace as well. The agent is expected to report the success or failure to collect the premium, and in the event that it has failed of collection, additional aid to agent, and urge to policyholder, is given.

Value of Persistence Emphasized

During the first year considerable literature is sent out by the company to all new policyholders, all designed to interest them in either the investment feature or other attractive measure of the policy. Bulletins are issued frequently to agents, in which the value of persistency in having policyholders retain their interest in their investment are helpful to the agents, as these bulletins contain the standing of agents showing their percentage of renewals. Comments of all kinds helpful to the field force showing them how to help in keeping the business on the books also prove beneficial to company, agent and policyholders alike.

All this is designed with particular attention toward getting the second premium paid. Once this point is past, the lapse rate depreciates materially. While all these efforts in one form or another have been used in the past to preserve the business upon the books, they have proven especially beneficial in the last few months.

J. E. Murray's View

At the Murray & Walker offices of the Penn Mutual the opinion that constant attention to details of insurance closing and holding will keep the business up to par though present business conditions may be abnormal, was expressed by J. E. Murray.

"There is always a psychological effect upon business and business men at election time," points out Mr. Murray. "The nature of the insurance business requires closer concentration, perhaps, than any other business. This, it seems to us, is the first consideration the insurance man should give to his business. In the second place, times such as the present offer more reasons why men should take insurance as an investment or a provision for the future. Thousands of persons have lost out in speculation. Stocks and bonds have lowered in value. Loans have been used up. Not a few may find they are without estates. Hence they have to have insurance to provide for this lack. For the same reason we find premiums are paid promptly in times like these. To make insurance 'stick' depends a good deal on how insurance is explained to the prospect."

BUSY INSURANCE WEEK

Meetings in New York City of interest to insurance men for the week of Dec. 3-10 include:

Dec. 3, Friday—Fire insurance committee and committee on memorial from the United States Shipping Board and two subcommittees of the committee on laws and legislation of the National Convention of Insurance Commissioners. Hotel Astor.

Dec. 4, Saturday—Committee on Inter-Insurance of the National Convention of Insurance Commissioners. Hotel Astor.

Dec. 6, Monday—Executive committee of the National Convention of Insurance Commissioners, Hotel Astor.

Meeting of Executive Committee, National Insurance Agents Association.

Dec. 7, Tuesday—The National Association of Insurance Agents Conference, Hotel Astor.

National Convention of Insurance Commissioners, mid-winter meeting, Hotel Astor.

Association of Life Insurance Counsel, annual meeting.

Dec. 8, Wednesday—National Convention of Insurance Commissioners, mid-winter meeting, Hotel Astor.

Association of Life Insurance Counsel, annual meeting.

National Workmen's Compensation Service Bureau, annual meeting.

Fire Marshals' Association of North America, annual meeting.

Dec. 9, Thursday—National Council on Workmen's Compensation Insurance, general meeting in lieu of the annual meeting, at the rooms of the council.

Association of Life Insurance Presidents, annual meeting, Hotel Astor.

Annual meeting Workmen's Compensation Publicity Bureau.

Dec. 10, Friday—Fire Marshals' Association of North America, annual meeting.

Association of Life Insurance Presidents, annual meeting, Hotel Astor.

Insurance Federation of America, annual convention, Hotel Astor.

New Mexico Company Raises Limit

The National Life of New Mexico has raised its limit, effective Oct. 1, from $2,500 to $5,000.

Five Million People Now Are Protected by Group Life Insurance in U. S.

FIVE million people are now protected by group life insurance in the United States and Canada.

There are from 6,000 to 7,000 employers buying such insurance for from 1,600,000 to 1,700,000 employes and these employes have on an average of two dependents, making at least 3,400,000 stipulated and unstipulated beneficiaries under the certificates held by employes.

Thus in the short space of a few years has the beneficence of old line insurance been extended to nearly 5 percent of the population.

One One-Year Renewable Plan

All group insurance is on the one-year renewable term plan. This is an unsatisfactory form for an individual to buy but it is the only form that has worked out practically for group insurance. Experiments with other forms have not proven satisfactory. It has been found that the employer who wants the old age of his workmen protected by a pension system as well as the families of his employes by insurance while they are in active service can best accomplish his purpose by buying group insurance on the one-year renewable term plan and then purchasing individual, single premium annuities for workmen when they reach the retirement age.

Group insurance has served insurance agents, as well as employers, employes, their families and society in general, which profits through the reduction in labor unrest, through reduction in poverty, through reduction in dependency, through lightened hearts. Agents have made good commissions from group insurance and again as much from individual policies that have been made possible by group insurance. No employer, in giving out group certificates to employes, pretends that he is providing them with all the insurance they need. Many urge again and again that employes buy additional policies. Keen agents who follow up group policies by soliciting the certificate holders reap good harvests.

Few Workingmen Covered

While America prides itself on the fact that Americans in all walks of life buy life insurance, it is surprising to find what a small percentage of industrial workers, both skilled and unskilled, have anything but industrial or intermediate policies. The bulk of policies that range from $1,000 up is still sold to merchants, professional men, farmers, clerks (office and mercantile) and salesmen. Group insurance has given the salesmen of old line ordinary policies an entree to a field that he had scarcely touched.

The group insurance written in 1920 will about equal that written in 1919—that is, the new business. The gain in group insurance in force will be much larger because the industrial deflation has not affected the number of certificates outstanding in any appreciable extent and old policies have grown through service additions to old certificates. In other words, most policies provide for automatic increases in amounts on employes as they lengthen their periods of service with the employer. Thus, a group policy grows even though the number of employes does not increase.

Life Notes

The nineteenth annual convention of the Southwestern Department Club of the Illinois Life will be held at Kansas City, Jan. 14-15.

E. Guy Owens, state manager for Oklahoma of the Mutual Life of New York, says that the Oklahoma agency has written $8,000,000 new business the first eleven months of the present year.

Carl A. Secoy, assistant agency manager of the Phoenix Mutual, is in Cleveland this week to hold an agency meeting, which about 15 members are expected to attend, several of them from out of town.